

MAP: Multifamily Accelerated Processing

MAP Lender/Third Party Training

Objectives

- By the end of the course, you will understand
 - How MAP works
 - HUD and lender responsibilities
 - How to become a qualified lender

MAP: Multifamily Accelerated Processing

Training Agenda

MAP: Multifamily Accelerated Processing

Overview of MAP

What is MAP?

- A set of procedures for Lenders and HUD staff designed to:
 - Improve the efficiency of application processing for MF mortgage insurance
 - Increase the use of the FHA mortgage insurance product
 - Make better use of staff resources

Why Change?

- Customers were not satisfied with the Traditional Application Process (TAP)

Key Features of MAP

- Establishes a national “fast track”
 - Eliminates inconsistent practices cross Hubs
 - Natural evolution from local fast tracks programs
- Establishes time frames for each HUD review stage
 - Provides predictability
 - Provides faster HUD decision, in many cases
- Lenders underwrite; HUD reviews
 - Strikes a balance between expedited processing and acceptable risk

MAP-eligible Mortgage Insurance Programs

- **New construction/**
- **substantial rehabilitation**
 - Section 220
 - Section 221(d)
 - Section 232
- **Acquisition/refinancing of existing properties**
 - Section 223(f)
 - Section 232/223(f)

Note: May still use Traditional Application Processing (TAP) but no longer use local fast track program

Non MAP-eligible Mortgage Insurance Programs

Use local fast track or TAP

- Section 207 – Rental Housing
- Section 207 M - Mobile Home Parks
- Section 213 - Cooperative Units
- Section 223(a)(7) – Refinancing of Insured
Multifamily Projects
- Section 231 - Rental Housing for the Elderly
- Section 234 - Condominium
- Section 241 - Supplemental Loan Insurance
for Multifamily Rental Housing
- Section 242 – Hospitals
- Section 244 – Group Practice Facilities

MAP: Multifamily Accelerated Processing

The MAP Guide
A Quick Tour

MAP Guide Chapters

- Chapter 1 Introduction
- Chapter 2 Lender Qualification
- Chapter 3 Eligible Programs
- Chapter 4 Application Requirements
- Chapter 5-11 Technical Disciplines
- Chapter 12 Closings
- Chapter 13 Construction Period
- Chapter 14 Cost Certification

Lender Qualifications

Chapter 2

- MAP requires that Lenders be qualified by the Lender Qualifications and Monitoring Division (LQMD)
- Nationwide basis
- Lender's team must be approved for each application
- Lender agrees to LQMD monitoring

Eligible Programs

Chapter 3

- **New construction/substantial rehabilitation**
 - Section 221(d)(4)
 - Section 221(d)(3)
 - Section 220
 - Section 232
- **Acquisition/refinancing of existing properties**
 - Section 223(f)
 - Section 232/223(f)

Application Requirements

Chapter 4

- Two stages for new construction and substantial rehabilitation
 - Pre-application
 - Firm commitment application
- One stage for acquisition/refinance
 - Firm commitment application
- Single list of exhibits (Appendix 4)

Technical Disciplines

Chapters 5-11

- 5. Architecture
- 6. Cost Processing
- 7. Valuation
- 8. Mortgage Credit
- 9. Environmental
- 10. Management Analysis
- 11. Lender Underwriting/HUD Review

Post-Review Activities

Chapters 12-14

12. Insurance Closings

- Initial Closings
- Final Closings

13. Construction Period

14. Cost Certification

The MAP Guide - Vital Stats

- Available on the HUD website
 - www.hud.gov/offices/hsg/mfh/map/maphome.cfm
- Questions?
 - FAQs on the website
 - mf_map_team@hud.gov
 - Lotus Notes

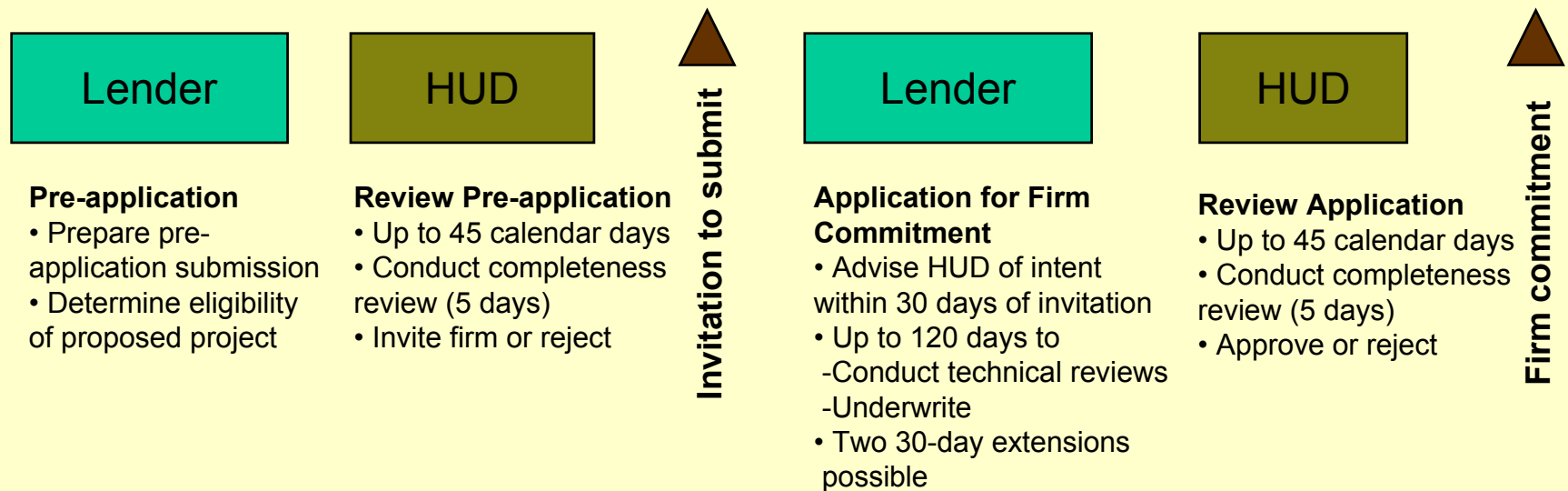
MAP: Multifamily Accelerated Processing

The Basic Process

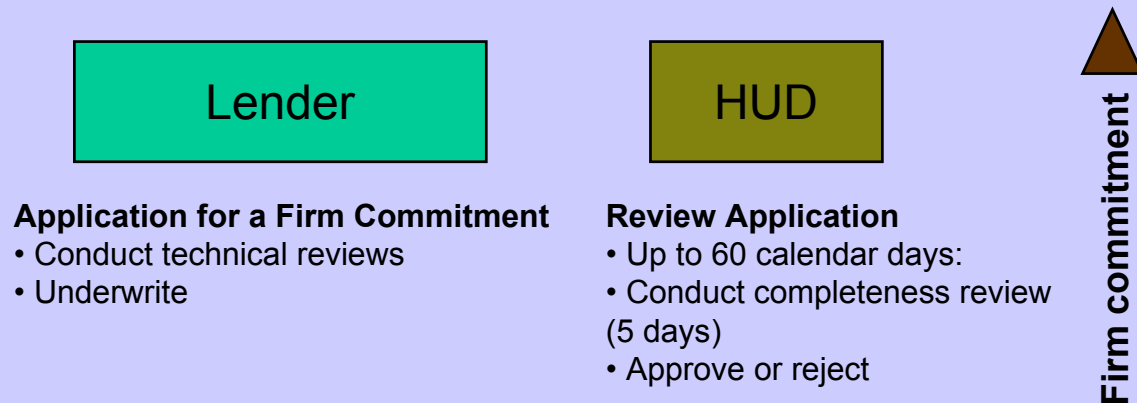
MAP Process

Changes in HUD and Lender Roles

New Construction/Substantial Rehabilitation (220, 221ds, and 232)



Existing Purchase/Refinance (223f, 232/223f)



MAP: Multifamily Accelerated Processing

MAP Organization

MAP Roles in HUD

The Cast

- Hub MAP Coordinator
- Hub Construction Coordinator
- MAP Team Members
 - MAP team leader
 - MAP core team members
 - MAP team advisory members

Hub MAP Coordinator

- Manages MAP workload across Hub
- First contact with Lender; directs applications to available MAP teams
- Creates virtual teams when necessary
- Monitors progress and performance
- One per Hub
- MAP Coordinator website:
www.hud.gov/offices/hsg/mfh/map/coordinates.cfm

Hub Construction Coordinator

- Monitors all projects under construction in the Hub
- Manages contract administration related to inspection
- Resolves construction related issues

MAP Team Composition

- 1 Team Leader for every 2 teams
- 1-2 Appraisers
- 1-2 Construction Analysts
- 1 Multifamily Housing Rep
- 1 Mortgage Credit Analyst

MAP Core Team Functions

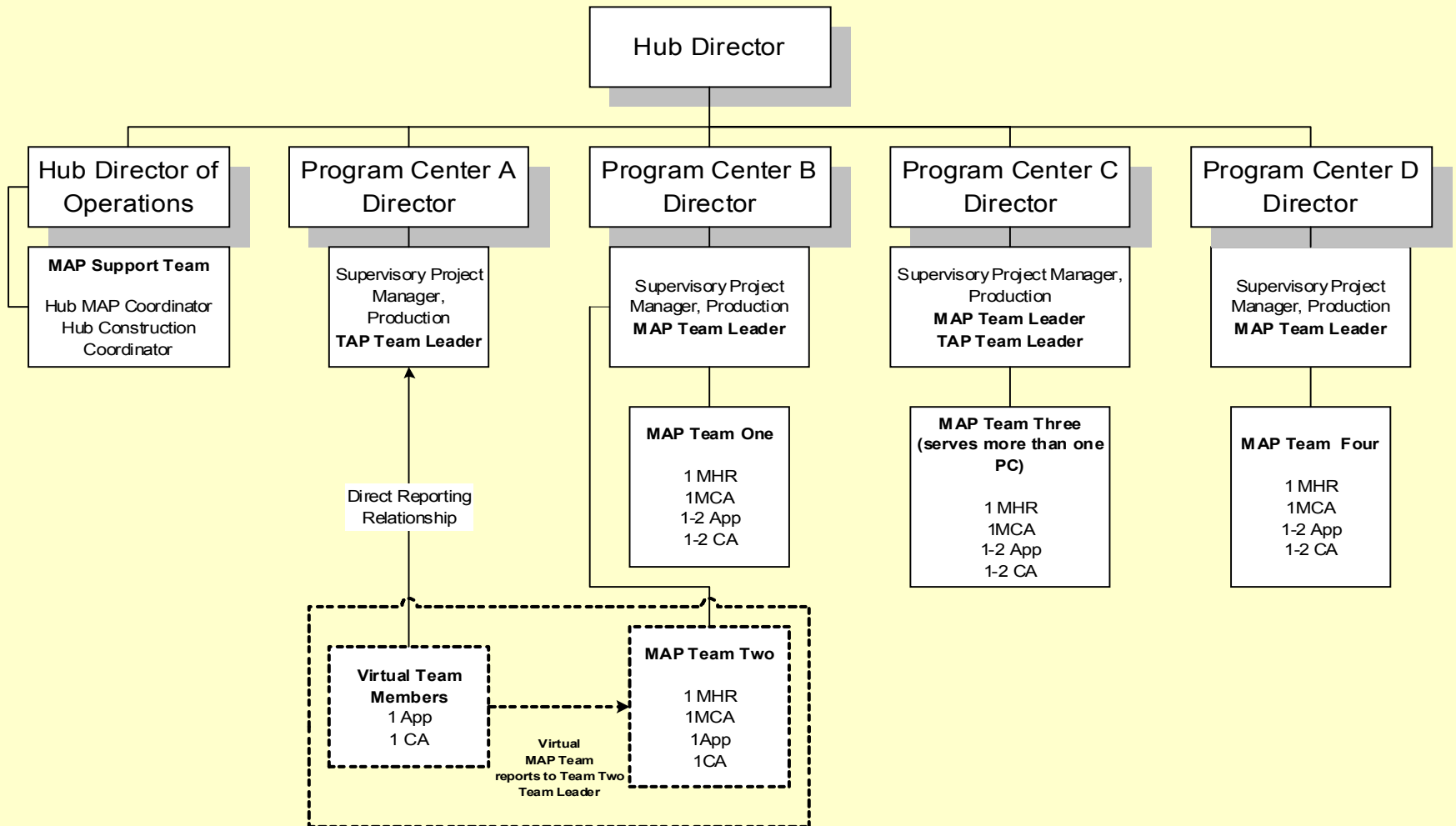
MAP Role	Key Function(s)
MAP Team Leader (Underwriter)	Manages team; responsible for meeting time frames
Multifamily Representative (Lender Relations)	Single point of contact with lender and borrower during application review
Appraiser (Valuation)	Conducts desk review of relevant exhibits; conducts the site visit & environmental review
Architectural/Cost Analyst	Conducts desk review of relevant exhibits
Mortgage Credit Analyst	Conducts desk review of relevant exhibits

MAP Advisory Team Functions

- Asset manager
 - Reviews Lender's management report, management entity profile, and Affirmative Fair Housing marketing plan
- Economist
 - Conducts an advisory desk review of the Lender's market analysis
- Attorney
 - Reviews closing documents and represents HUD at the closing

MAP Teams and Support Staff

Showing Virtual Team



Role of HUD Management

- Hub Directors
- Program Center Directors
- Hub Operations Directors
- HUD Office of Multifamily Development (Headquarters)

MAP: Multifamily Accelerated Processing

MAP Operations

MAP Operations

Communication Protocol

Communication with Lenders

- Hub MAP Coordinator is Lender's initial HUD contact
 - Prior to pre-application submission, may also conduct an informal meeting between lender and MAP team
- Multifamily Housing Rep is Lender's ongoing HUD contact
 - Provides consistent message to Lenders
 - Screens the flow of questions and answers between the lenders and the MAP team

MAP Operations

Time Frames

- Maximum time for a review
- Meet the time frame 100% of the time.

MAP Operations

Time Frames -- Guiding Principles

- State time frames in calendar days
- Set a standard for all offices
- Set an achievable standard for all MAP teams

MAP Time Frames

NO MORE SURPRISES!!

Application Type	Review Stage	Time Frame (not to exceed)
221(d)	Pre-application	45 days (6 weeks)
221(d)	Firm Commitment	45 days (6 weeks)
223f	Firm Commitment	60 days (8 weeks)

What is different about MAP?

Exercise

- From HUD's perspective...
- From the Lenders' perspective...

MAP: Multifamily Accelerated Processing

Lender's Roles and
Responsibilities

Lender Roles

- Architectural analyst
- Cost estimator
- Appraiser
- Market analyst
- Environmental professional
- Underwriter
- Construction Loan Administrator (if applicable)

Lender's Architectural Analyst

- Reviews mortgagor's required architectural services
- Makes sure project design complies with relevant standards and codes
- Determines that mortgagor's architect is qualified to provide design services and has appropriate liability insurance

Lender's Cost Estimator

- Provide independent cost estimate of project
- Review and approve contractor's and/or mortgagor's cost breakdown

Lender's Appraiser & Market Analyst

- Appraiser:
 - Prepares appraisal compliant with USPAP
 - Produces a fair market value
- Market analyst
 - Describes the geographic boundaries and characteristics of the market
 - Estimates demand and absorption time

Lender's Environmental Professional

- Conducts Phase I (and II if necessary) environmental site assessment(s)
- Prepares environmental report that identifies issues to be resolved
- Helps prepare HUD Form 4128 “Environmental Assessment and Compliance Findings for Related Laws”

Lender's Underwriter

- During application
 - Determines financial and credit acceptability of the general contractor, sponsor, mortgagor, and key principals
 - Recommends maximum mortgage amount and other key terms of loan
 - Approves the application for submission to HUD
- Underwriter or Construction Loan Administrator
 - Distribute mortgage proceeds
 - Maintain record of control
 - Determines construction cost
 - Recommends approval of construction change orders

MAP: Multifamily Accelerated Processing

Getting Qualified to
Participate

Lender Qualifications

- FHA-approved multifamily mortgagee
- Financially sound (net worth >\$250K)
- Has on staff principal fulltime employee(s) with multifamily underwriting experience and construction loan administration
- Satisfactory record with FHA-insured or conventional multifamily loans
- Not subject to business-limiting lawsuits
- Internet access

Once Approved, the Lender:

- May submit applications nationally
- Agrees to accept monitoring

Key Players

- Lender Qualifications and Monitoring Division (LQMD) - approves and monitors lenders
- MAP Review Panel - reviews recommendations to suspend or terminate MAP lenders

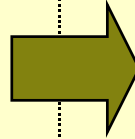
MAP: Multifamily Accelerated Processing

Application Requirements

Stages of an Application Review

Prior to Submitting a Pre-application

- Approval of Lender's reviewers
- Informal discussions

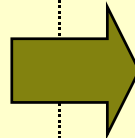


Pre-application (220, 221d and 232)

- Review most important exhibits
- Lender may be invited to apply for Firm Commitment

Prior to Firm Commitment

- Within 120 days of invitation
- Submit Lender's team



Firm Commitment (220, 221d, 232 and 223f)

- Complete underwriting analysis

Prior to Submission of Pre-application

- Submit names and resumes of Lender's reviewers for approval
 - Staff Underwriter
 - Appraiser
 - Market Analyst
 - Architect
 - Cost Analyst
- Informal discussions
 - Lender encouraged to contact the local MAP Coordinator with questions regarding a potential application

Pre-application

220, 221d and 232

- Contact MAP Coordinator; send 5 sets of entire submittal (including exhibits) to the office assigned to conduct the review
- No application fee is required for the pre-application review
- See List of Exhibits in Appendix 4 of MAP Guide

Pre-application

- HUD has 45 calendar days to review a pre-application
- Letter of invitation may cite issues and/or propose underwriting parameters

Prior to Firm Commitment

220, 221(d) and 232

- Notify HUD of decision within 30 days of receiving Invitation
- Submit Firm Commitment application to HUD within 120 days of Invitation

Prior to Firm Commitment

223f and 232/223f

- Lender must submit the names and resumes of:
 - Staff underwriter, appraiser, A & E reviewer, and construction cost estimator
- Lender is encouraged to make any inquiries of the local HUD office regarding the Lender's potential application

Application for a Firm Commitment

Lenders will...

- Complete underwriting analysis and produce an underwriting summary
- Submit 5 sets of the application package to the MAP team assigned to the review
- Include all exhibits in Appendix 4 of MAP Guide

Application for a Firm Commitment

HUD will...

Conduct a completeness review within 5 days

- If application is complete, HUD starts the clock for review
- OR**
- If application is incomplete but is curable in a short time, the Lender will have 5 business days to correct deficiencies
- OR**
- If application is unacceptable, HUD returns the submission to Lender

HUD Time Frames

Remember...

- Time frames begin when an application is complete

POINTS TO REMEMBER

- *Complete applications facilitate rapid HUD review*
- *HUD will meet its time frames*

Architecture/ Engineering Analysis

MAP Lender/Third Party
Training

Objectives of Session

- Understand Role of Lender and Lender's Architectural Analyst in MAP process
- Provide checklist of deliverables for pre-app and firm commitment stages
- Provide A/E processing advice

Participants

Mortgagor's Architect

Lender's Architectural Analyst

HUD's Construction Analyst

Mortgagor's Architect

Mortgagor's Architect New Construction

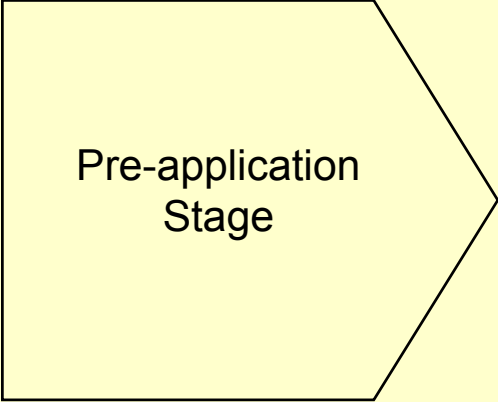


Pre-application
Stage

Actions:

- Visit the site
- Evaluate mortgagor and user's needs
- Know applicable codes, restrictions and requirements
- Develop preliminary sketches

Mortgagor's Architect New Construction



Pre-application
Stage

Deliverables:

- Architectural portion of Application for Project Mortgage Insurance Form HUD-92013 (with assistance from Lender)
- Location map
- Sketch plan of site
- Sketch plans of main buildings with dimensions

Mortgagor's Architect New Construction



Firm
Commitment
Stage

Actions:

- Prepare final complete construction drawings and specifications
- Submit final complete exhibits to mortgagor

Mortgagor's Architect New Construction

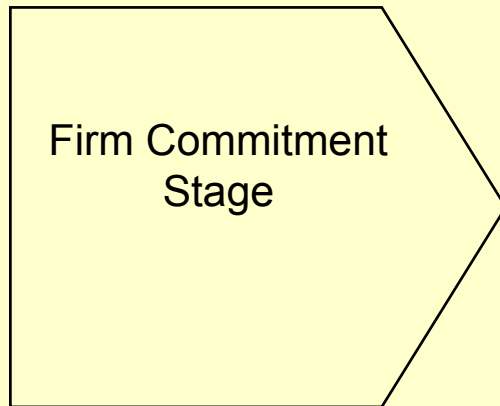


Firm
Commitment
Stage

Deliverables:

- Architect's Plans & Specs (Appendix 5 I)
- Application for Project Mortgage Insurance (Form HUD-92013 prepared by MAP Lender))
- Owner-architect agreement
- Legal survey
- Completed surveyor report
- Engineering and specialty reports
- Municipal and utility company letter of confirmation
- Lender's A/E Review Report

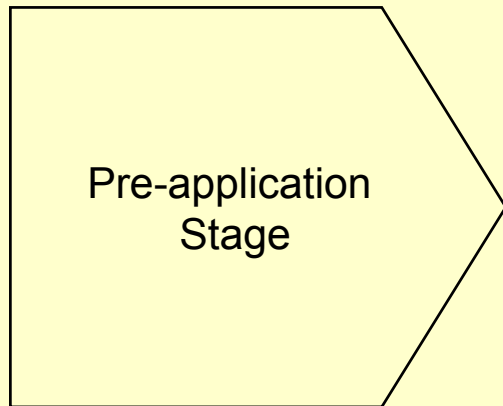
Mortgagor's Architect New Construction



Deliverables (cont'd):

- Documents necessary to establish:
 - Site ingress and egress, utility service
 - Building maintenance agreements
- Certification regarding:
 - Foundation design/site soil limitations
 - Compliance with accessibility laws
- Description of any identity of interest
- Contract drawings and specifications
- Description of any offsite construction

Mortgagor's Architect Substantial Rehabilitation



Actions:

- Submit all new construction exhibits
- Sketch plans for the “as is”
- Create basic work write-up
- Asbestos and LBP test reports, if necessary

Mortgagor's Architect Substantial Rehabilitation

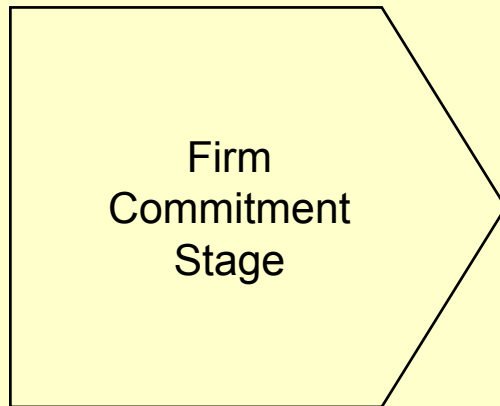


Firm
Commitment
Stage

Actions:

- Attend joint inspection with lender's architecture staff
- Submit detailed work write-up
- Create same exhibits listed for new construction

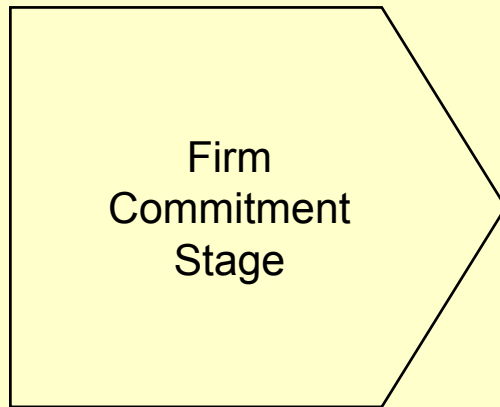
223f Projects



Deliverables:

- PCNA
- Lender's Review of PCNA
- A/E portion of Hud-92264
- Application for Project Mortgage Insurance (Form HUD 92013 prepared by MAP Underwriter)
- Certificate of Occupancy (including a city/county health officer's report, if applicable)
- Municipal Code report
- Fire Marshall's report
- "As-built" survey
- Surveyor's report (Form HUD-92457)
- Title report
- Location map

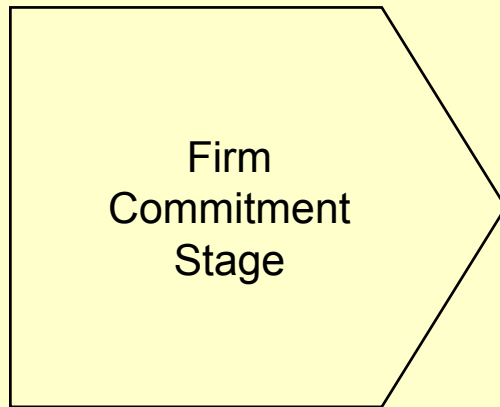
Mortgagor's Architect 232 Projects



Deliverables:

- All Deliverables required for 221(d)
- Narrative Program for Section 232 Projects
- List of major and minor movable equipment

Mortgagor and/or Architect 232 Pursuant to Section 223(f)



Deliverables:

- All deliverables required for 223(f)
- Narrative Program for Section 232 Projects
- List of major and minor movable equipment
- Latest medical/personal care facility agency's report, if applicable

Lender's Architectural Analyst

Lender's Architectural Analyst What's Different?

- **Most critical difference:**
 - Lender's architectural analyst need not be involved until lender receives invitation to submit a Firm Commitment

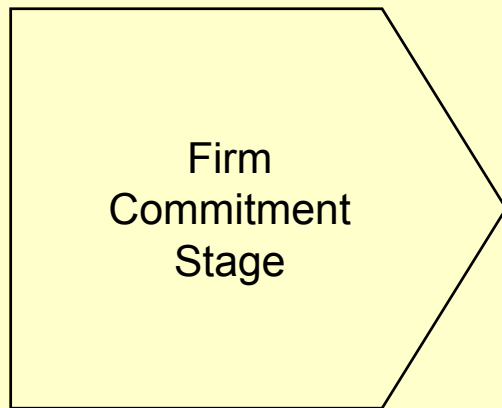
Lender's Architectural Analyst Qualifications

- Knowledgeable of multifamily construction
- Knowledgeable and experienced with local building standards and construction methods
- Preferably registered as an architect or engineer

Lender's Architectural Analyst Qualifications

- An individual
 - Holding a degree in architecture or engineering with 3 years of experience, or
 - Having experience as a construction manager, estimator, general superintendent of construction, draftsman, or hold a degree in building construction.
- The Architectural Analyst may also serve as the cost estimator if the qualifications are met.

Lender's Architectural Analyst New Construction



Responsibilities:

- Complete detailed review of mortgagor's A/E exhibits
- Determine project design complies with the minimum property standards, local codes, the applicable accessibility requirements
- Visit site and prepare report
- Furnish information to the lender's cost analyst to ensure budgetary compliance
- Maintain processing records
- Assure that final drawings and specifications are complete prior to submission to HUD
- More...

Lender's Architectural Analyst New Construction



Firm
Commitment
Stage

Responsibilities (continued):

- Review experience and qualifications of general contractor
- Consult with technical specialist
- Provide guidance to mortgagor's architect
- Report any deviation from HUD requirements
- Keep aware of design development progress in relation to target dates
- Conduct negotiations

Lender's Architectural Analyst Accessibility for Persons with Disabilities

- The Lender's Architectural Analyst must review construction documents:
 - For covered multifamily dwellings pursuant to the MPS and Fair Housing Accessibility (FHA) Guidelines,
 - With attention to building entrances, and
 - For accessibility in all common and public areas

(continued)

Lender's Architectural Analyst Accessibility for Persons with Disabilities

- In addition, certain accessibility requirements apply to:
 - All dwelling units in buildings with elevators, and
 - All ground floor dwellings in buildings without elevators

(continued)

Lender's Architectural Analyst Accessibility for Persons with Disabilities

Requirements include:

- Readily accessible public and common areas
- Doors designed to allow passage by persons in wheelchairs
- Accessible routes into and through dwellings
- Accessible light switches and environmental controls

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Lender's Architectural Analyst Accessibility for Persons with Disabilities

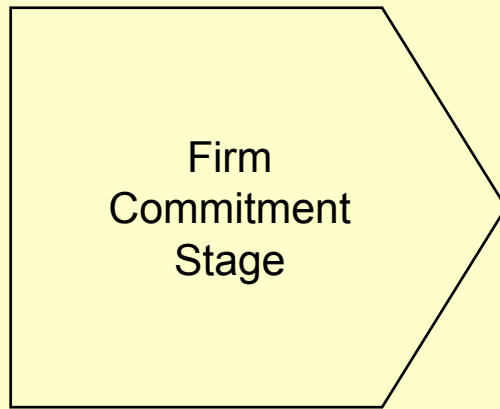
Requirements include:

- Reinforcements in bathroom walls to allow later installation of grab bars
- Usable kitchens and bathrooms

Refer to:

- Fair Housing Act Design Manual published by HUD, plus
- UFAS (Section 232 projects)

Lender's Architectural Analyst New Construction



Deliverables:

- Mortgagor's A/E exhibits for firm stage
- Prepare review report
- Form HUD-92264 (architectural portion completed and signed)
- Copies of lender's architectural analyst's files (on request)
- Reviewer's certification

Lender's Architectural Analyst Substantial Rehabilitation - Definition

- Substantial rehabilitation involves:
 - The replacement of two or more major building components, or
 - Costs that exceed the greater of:
 - 15% (exclusive of soft costs) of the property's replacement cost after completion of required repairs, replacements, or improvements
 - \$6,500 per dwelling unit (adjusted by HUD's high cost percentage by locality)
Note: The \$6,500 per dwelling unit criterion does not apply for Section 232 Health Care Programs

Lender's Architectural Analyst Substantial Rehabilitation

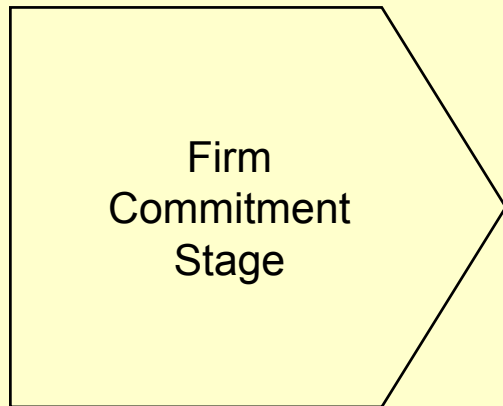


Firm
Commitment
Stage

Actions:

- Organize and schedule a joint inspection with lender and mortgagor staffs
- Conduct detailed review of basic construction drawings and specifications
- Review final exhibits from mortgagor

Lender's Architectural Analyst Substantial Rehabilitation



Deliverables:

- Mortgagor's A/E exhibits for substantial rehabilitation
- Review report prepared by lender's architectural analyst
- Form HUD-92264 (architectural portion completed and signed)
- Copies of lender's architectural analyst's files (on request)
- Reviewer's certification
- Detailed scope of rehabilitation work resulting from joint inspection
- Re-inspection of current physical condition and additional conditions, if applicable

Lender's Architectural Analyst Substantial Rehabilitation – Firm Stage

Joint Inspection

Team Members - Mandatory:

- Lender's architectural analyst and cost estimator, mortgagor's architect, general contractor, and not mandatory but recommended, representative of the local building department
- **Purpose** - Determine the project's condition, particularly concerning major defects, deterioration and obsolescence

Scope

- All features of project site; buildings and improvements, utilities, roads, parking, underground storage tanks, etc.
- Sufficient living units to ascertain all necessary rehabilitation

Lender's Architectural Analyst Substantial Rehabilitation – Firm Stage

Detail Work Write-up

- The detail work write-up reflects the work agreed to, based on the joint inspection
- Divide the narrative as follows:
 - General Requirements
 - Special Requirements
- All requirements must be specific and state the location, type and amount of work to be done
- General phrases such as “repair or replace” or “as required” are not acceptable as such phrases are not specific

Lender's Architectural Analyst Substantial Rehabilitation – Firm Stage

Engineering Reports

- Following joint inspection, surveys or technical reports may be required of the mortgagor by the Lender for proper evaluation of the project.
- These reports could include:
 - Seismic Report
 - Lead Based Paint Report for projects constructed prior to 1978
 - Add asbestos to the LBP Report for projects constructed before 1978

Project Need Assessment 223f Projects

A Project Capital Needs Assessment (PCNA) defines what a Project's immediate and long term capital needs are and provides a plan for financing the capital needs. It consists of two distinct components: The Physical Inspection and the Statement of Resources and Needs.

Physical Inspection Report (PIR) 223 f Projects

The Needs Assessor prepares the PIR. The PIR describes the current and future physical needs of the proposed multifamily project. The format for the PIR follows:

1. Cover Sheet must include:
 - a. The Project Name, number and location.
 - b. Name, address, and telephone number of the preparer(s).
2. Table of Contents.
3. Project Description.
4. Project Inspection Report(s).
5. Repair Work Write-Up.

Physical Inspection Report (PIR)

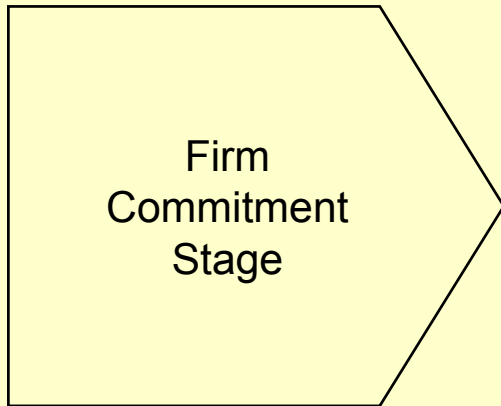
223 f Projects

6. Physical Inspection Cost Estimate(s).
7. Computation of:
 - a. The Cost of “Immediate critical [health and safety] and non-critical” items.
 - b. The Initial Deposit to the Reserve for Replacement Account and the annual deposit to the Reserve for Replacement Account based on the “Near Term” repair, replacement and major maintenance needs of the Project.
 - c. The cost of “Long Term” repair, replacement and major maintenance needs of the Project.
 - d. The cost of “Remaining Term” repair, replacement and major maintenance needs of the Project.
8. Engineering and Specialty Reports.
9. Standard size color photographs necessary to illustrate the conditions discussed in the report and a narrative describing each photograph.

Lender's Needs Assessor 223f Projects

A Needs Assessor is any firm or individuals, including the Lender's architectural and cost analysts, qualified by training and experience to evaluate building systems and site conditions and to provide cost estimates.

Lender's Needs Assessor 223f Projects



Actions:

- Conduct unit inspection
- Determine repairs
- Determine Replacement Reserve
- Issue Physical Inspection Report

Statement of Resources and Needs 223f Projects

Prepared by the Lender's underwriter with input from the Cost Analyst

STATEMENT OF RESEROUCES AND NEEDS

The Lender's statement must:

- A. Address the quality of the PIR; and
- B. Discuss any adjustment made to the PIR by the Lender.
- C. Identify the repair, replacement, and major maintenance items for which the owner may be reimbursed from the Replacement Reserve.
- D. Recommend to HUD the dollar amount of:
 - 1. The cost of repairs to be completed before initial/final endorsement of the mortgage.

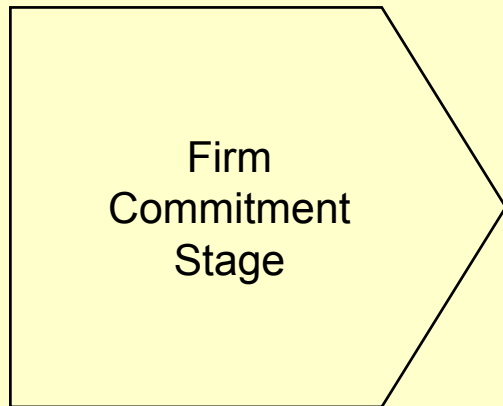
Statement of Resources and Needs 223f Projects

2. The cost of, and the amount to escrowed for non-critical repairs to be completed within one year of date of initial/final endorsement of the mortgage.
3. Initial deposit, if any, and the amount of the monthly deposits and the funding schedule of such deposits into the Replacement Reserve based on “Near Term” projects of repair, replacement and associated costs.

E. Describe:

1. Current financial or other assistance needs and resources of the Project.
2. Future financial or other assistance needs and resources. Specifically how “Long Term” and “Remainder” projected repair, replacement and major maintenance costs will be covered.

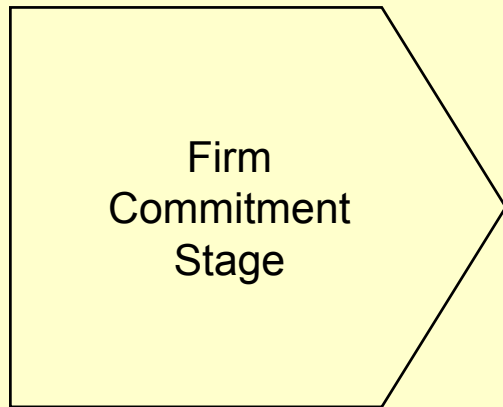
Lender's Architectural Analyst 223(f) Projects



Actions:

- Review mortgagor's deliverables
- Complete a review report
- Review the Project Capital Needs Assessment and Replacement Reserve Escrow Report
- Form HUD 92264 (architectural portion completed and signed)
- Review municipal authorizations

Lender's Architectural Analyst 223f Projects



Deliverables:

- Mortgagor exhibits
- Review of PIR prepared by lender's Needs Assessor
- Project Capital Needs Assessment and Replacement Reserve Escrow Report
- Form HUD-92264 (architectural portion completed and signed)
- Copies of lender's architectural analyst's files (on request)
- Reviewer's certification

Lender's Architectural Analyst 232 Projects



Firm
Commitment
Stage

Deliverables:

- All deliverables required for new construction or substantial rehabilitation
- Narrative Program for Section 232 projects
- List of major movable equipment

Lender's Architectural Analyst 232 Projects

Major Moveable Equipment

- Must be purchased outside the construction contract, by separate purchase order or contract
- A list of major moveable equipment is provided in Appendix 5K of the MAP Guide
- Separately identify major moveable equipment in Section P, of Form HUD-92264-HCF and provide estimated cost of each item for review by Lender's Cost Estimator

Lender's Architectural Analyst 232 Projects

Major Moveable Equipment Should Meet the Following Criteria:

- Depreciable equipment, not normally purchased through the construction contract
- No lease or lease/purchase equipment permitted
- Large pieces of furniture or equipment, with relatively fixed location in the building but capable of being moved

(continued)

Lender's Architectural Analyst 232 Projects

Major Moveable Equipment Should Meet the Following Criteria:

- Necessary for the operation/functioning of the facility
- Non-realty items that are included in the mortgage security
- Replacement reserves to be calculated for these items

Lender's Architectural Analyst 232 Projects

Minor Moveable Equipment and Supplies

- May not be included in the mortgage amount, general construction contract, nor in major moveable equipment
- Minor moveable equipment includes expendable nonrealty items
- Must check for adequacy for the intended project
- Itemized list of Minor Equipment is not required

Lender's Architectural Analyst 232 Projects

Minor Moveable Equipment Should Meet the Following Criteria:

- Items which have shorter expected useful life than that of major equipment
- Purchased through other than construction contracts
- Individually, items are of small cost

(continued)

Lender's Architectural Analyst 232 Projects

Minor Moveable Equipment Should Meet the Following Criteria:

- Suited to storeroom control
- Considered expense items and are expendable
- Replacement reserve not calculated for these items

Lender's Architectural Analyst 232 Pursuant to Section 223(f)



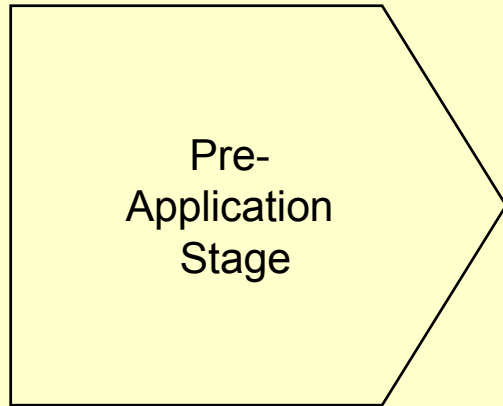
Firm
Commitment
Stage

Deliverables:

- All deliverables required for 223(f)
- Narrative Program for Section 232 Projects
- List of major movable equipment

HUD's Construction Analyst

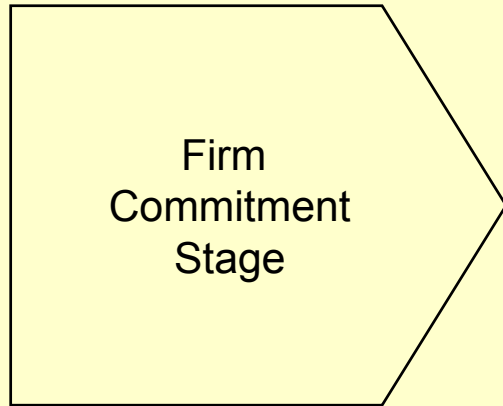
HUD's Construction Analyst New Construction



Responsibilities:

- Review A/E exhibits
- Recommend acceptance or rejection of A/E portion of the application, based on sketch plans
- Issue written report containing recommendations

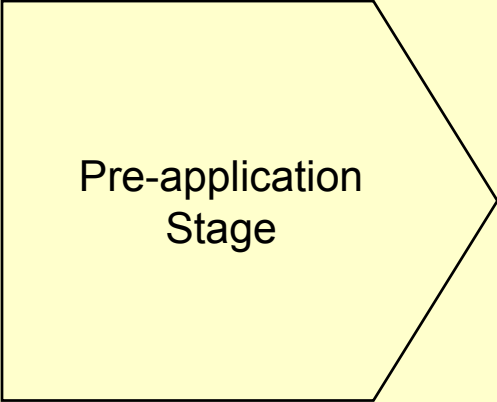
HUD's Construction Analyst New Construction



Responsibilities:

- Review A/E portion of Lender's Underwriting Summary
- Review firm deliverables for completeness
- Examine the review report and certain A/E exhibits and recommend acceptance or rejection of the A/E portion
- Review the A/E portion of completed HUD-92264
- Issue a written report containing recommendations

HUD's Construction Analyst Substantial Rehabilitation



Pre-application
Stage

Responsibilities

In addition to any application New Construction steps:

- Examine the basic work write-up
- Issue a written report containing recommendations

HUD's Construction Analyst Substantial Rehabilitation



Firm
Commitment
Stage

Responsibilities

In addition to any applicable New Construction steps:

- Examine the detail work write-up approved by MAP Lender's Architectural Analyst
- May visit the site if deemed necessary
- Issue a written report containing recommendations

HUD's Construction Analyst 223(f) Projects

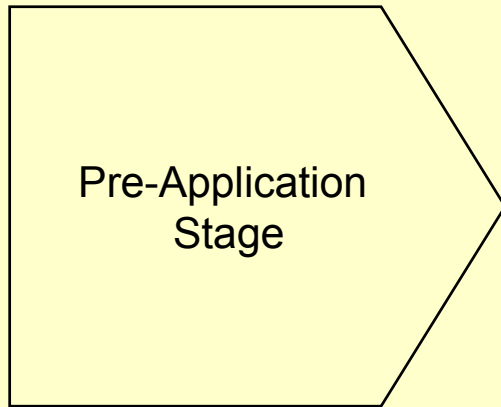


Firm
Commitment
Stage

Responsibilities:

- Review A/E portion of Lender's Underwriting Summary
- Conduct completeness review of deliverables
- Examine the review report
- Examine Project Capital Needs Assessment and Replacement Reserve Escrow for Acceptability
- Examine Lender's review of PCNA
- Examine completed A/E portion of HUD 92264
- Examine mortgagor's exhibits
- Recommend acceptance or rejection of the A/E portion of the submission
- Issue written report containing recommendations

HUD's Construction Analyst 232 Projects



Responsibilities:

- All responsibilities required for Sections 220 & 221(d)

HUD's Construction Analyst 232 Projects

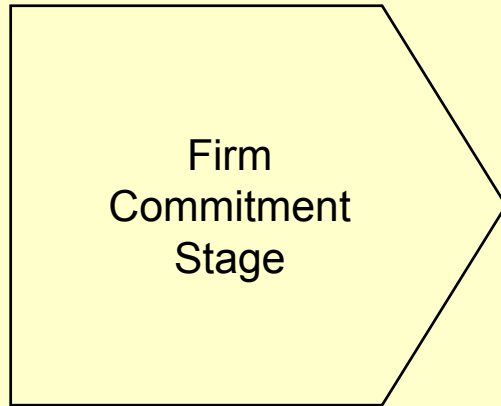


Firm
Commitment
Stage

Responsibilities:

- Review A/E portion of Lender's Underwriting Summary
- Review the lender and mortgagor packages
- Review HUD-92264 HCF for health care facilities
- Review the list of major movable equipment
- Review A/E portion of mortgagor's Narrative Program
- Issue written report containing recommendations

HUD's Construction Analyst 232/223f Projects



Responsibilities:

- Review A/E portion of Lender's Underwriting Summary
- Review lender and mortgagor packages
- Review HUD-92264 HCF for health care facilities
- Review the list of major movable equipment
- Review A/E portion of Mortgagor's Narrative Program
- Issue written report containing recommendations

Points to Remember

- *Lender not required to have architectural analyst until receiving invitation to submit firm commitment*
- *Preliminary sketches or basic work write-up due at pre-application*
- *Lender's Needs Assessor responsible for preparing PCNA – may be subcontracted out*
- *Narrative Program and A/E exhibits should “fit”*

Cost Processing

MAP Lender/Third Party Training

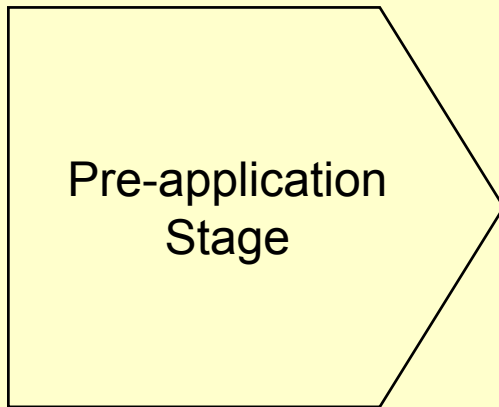
- Understand the role of lender's cost estimator in MAP process
- Examine steps taken to establish the insured mortgage amount
- Provide checklist of deliverables for pre-app and firm commitment stages
- Provide cost processing advice

Mortgagor and/or General Contractor

Lender's Cost Estimator

HUD's Cost Analyst

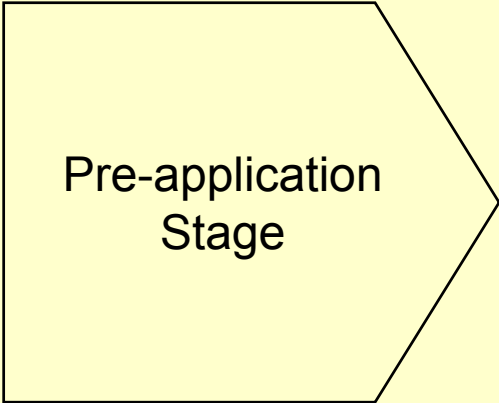
Mortgagor and/or General Contractor



Actions:

Prepares “bottom line” construction cost estimate

Mortgagor and/or General Contractor



Pre-application
Stage

Deliverables:

Cost section of Application for Project
Mortgage Insurance (Form HUD-92013)
(with assistance from Lender)

Lender's Cost Estimator

Lender's Cost Estimator Qualifications

- Experience in multifamily cost estimating
- Knowledge of and experience with local building standards and construction costs for the type of project proposed
- A cost estimator may also serve as the architectural analyst if the qualifications are met

Lender's Cost Estimator Responsibilities

- Provide an independent cost analysis for the proposed project
 - Cost estimate is not limited to any one specific method, however, the method chosen must be recognized by the construction industry
 - Detailed cost estimate must conform to HUD's line item format as shown in Form HUD-2328, Contractor's and/or Mortgagor's cost Breakdown

Lender's Cost Estimator New Construction



Firm
Commitment
Stage

Actions:

- Review and approve or disapprove Contractor's and/or Mortgagor's Cost Breakdown (HUD Form-2328)
- Prepare detailed construction cost estimate
- Resolve differences in Lender's and Contractor's Construction Cost Estimate (HUD-92331B)
- Complete and sign cost portion of HUD 92264, Project Income Analysis and Appraisal
- More...

Lender's Cost Estimator New Construction



Firm
Commitment
Stage

Actions (continued):

- Prepare Property Insurance Schedule (HUD-92329) (see MAP Forms Book)
- Review and approve/disapprove requests for prior approval of identity of interest subcontractors
- Provide advice and assistance on cost matters to mortgagors, consultants, and contractors

Lender's Cost Estimator New Construction



Firm
Commitment
Stage

Deliverables:

- Contractor's and/or Mortgagor's Cost Breakdown (HUD-92328)
- Cost estimator's independent Cost Estimate (HUD-92326)
- Comparison of Contractor's and Estimator's Cost Estimates (HUD-92331B)
- More...

Lender's Cost Estimator New Construction

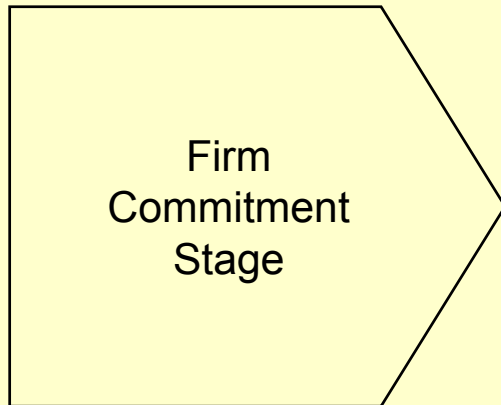


Firm
Commitment
Stage

Deliverables (continued):

- Form HUD-92264 (Cost portion completed and signed)
- Preparation of Property Insurance Schedule (HUD-92329)
- Statement confirming his/her review of Identity of Interest and 50-75 Percent Rule Disclosures
- Cost estimator's certification

Lender's Cost Estimator Substantial Rehabilitation



Actions:

Joint Inspection

Team Members

- Lender's architectural Analyst and cost estimator, mortgagor's architect, general contractor, and a representative of the local building department
- Purpose – Determine the project's condition, particularly concerning major defects, deterioration and obsolescence

Scope

- All features of project site; buildings and improvements, utilities, roads, parking, underground storage tanks, etc.
 - Sufficient living units to ascertain all necessary rehabilitation
- Follow instructions for new construction
 - Prepare detailed rehabilitation cost estimate

Lender's Cost Estimator 223f Projects



Firm
Commitment
Stage

Actions:

- Review of cost portion of Project Capital Needs Assessment (PCNA) and Replacement Reserve Escrow
- Form HUD-92264 (cost portion completed and signed)
 - Section G, Estimated Replacement Cost
 - Section M, Cost Not Attributable and Offsite Requirements
 - Section O, Remarks
- Prepare Property Insurance Schedule (HUD-92329)

Lender's Cost Estimator 223f Projects



Firm
Commitment
Stage

Deliverables:

- Project Capital Needs Assessment (PCNA)
- Review of PCNA Costs
- Property Insurance Schedule (HUD-92329)
- Cost portions of HUD-92264
- Reviewer's certification

Lender's Cost Estimator

232 Projects



Firm
Commitment
Stage

Actions:

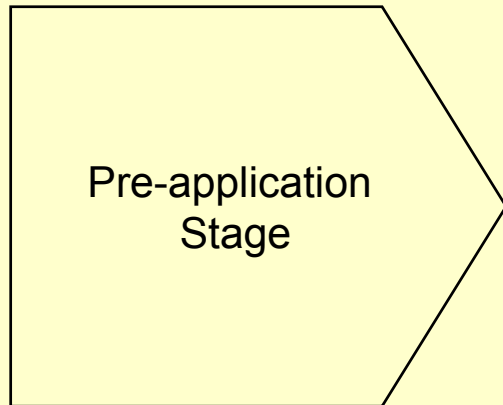
- Prepare materials mentioned in New Construction or Sub. Rehab Section

In Addition:

- Use Form HUD-92264 HCF
- Note: there is no Cost Not Attributable (CNA) and Site Not Attributable (SNA)
- Estimate cost of major and minor movables

HUD's Cost Analyst

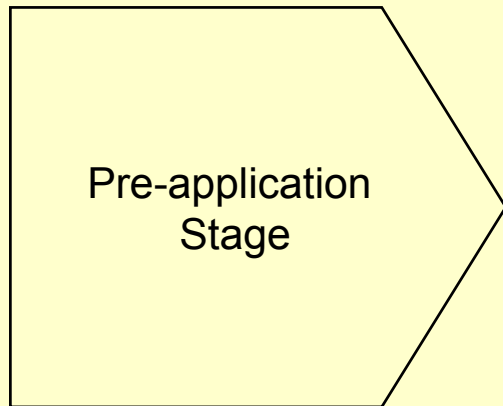
HUD's Cost Analyst New Construction



Responsibilities:

- Review cost portion of narrative description of this proposed project
- Determine structure type and calculate the project's gross floor area
- Calculate an estimated "bottom line" total structures cost
- Compare the estimated "bottom line" total structures cost with the mortgagor's amount and calculate the percentage difference
- More...

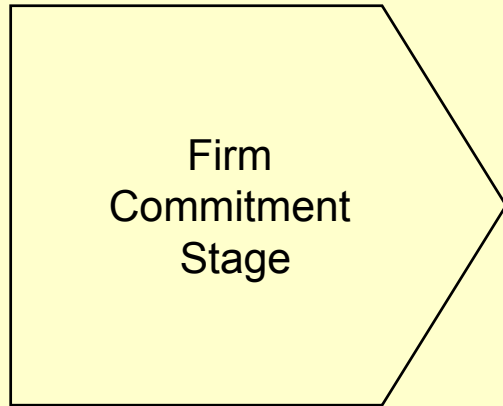
HUD's Cost Analyst New Construction



Responsibilities (continued):

- Examine reasonableness of total land improvements, general requirements, builder's profit, architectural fees, bond premium and other fees
- Accept the mortgagor's cost, reconcile the percentage difference, or indicate the project is unfeasible
- Prepare review report containing cost findings

HUD's Cost Analyst New Construction



Responsibilities:

- Review cost portion of Lender's Underwriting Summary
- Review lender and mortgagor packages
- Perform a comparison of the lender's estimate and contractor's cost breakdown with HUD cost data
- Recommend acceptance/rejection of the cost portion
- Issue a written report containing recommendations

HUD's Cost Analyst Substantial Rehabilitation



Pre-application
Stage

Responsibilities:

- Follow new construction procedures
- Review the lender's exhibits
- Develop a summary cost estimate of rehabilitation work
- Issue a written report containing recommendations

HUD's Cost Analyst Substantial Rehabilitation

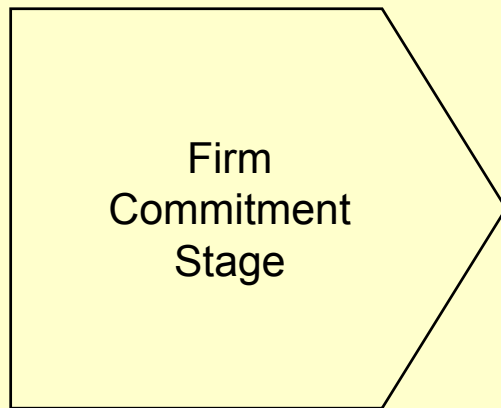


Firm
Commitment
Stage

Responsibilities:

- Follow new construction procedures
- Issue a written report containing recommendations

HUD's Cost Analyst 223f Projects



Responsibilities:

- Review cost portion of Lender's Underwriting Summary
- Review lender cost package
- Recommend acceptance or rejection of cost portions of firm application:
 - PCNA repair estimate compared to HUD data
 - PCNA estimate for Initial deposit to Replacement Reserves compared to HUD data
 - Property Insurance Schedule
 - Information from Lender's Needs Assessor
- Issue a written report containing recommendations

HUD's Cost Analyst 232 Projects



Pre-application
Stage

Responsibilities:

- Same process as New Construction and Sub. Rehab

In Addition:

- Estimate bottom-line costs of major and minor movable equipment from available data
- Compare costs to mortgagor's amounts on HUD 92013-HCF
- Issue a written report containing recommendations

HUD's Cost Analyst 232 Projects



Firm
Commitment
Stage

Responsibilities:

- Same process as Sections 221(d), and 220, or 223(f)
- Review lists of major and minor movable equipment
- Issue a written report containing recommendations

Points to Remember

- *Lender's Cost Analyst is not involved in cost estimation at pre-application*
- *Refer to Appendix 6A of the MAP Guide to determine HUD Cost Analyst's requirements*

Valuation Analysis

MAP Lender/Third Party

Training

Objectives of Session

- Understand the role of the Lender's Appraiser and/or Market Analyst under MAP
- Understand HUD's expectations on what information is needed to support the loan application
- Know the components of a complete application

Participants/Roles in MAP

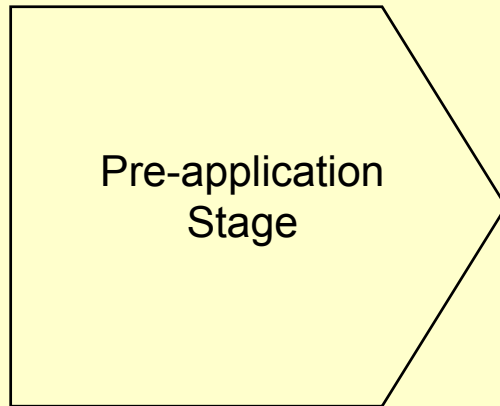
- Lender's Appraiser
- HUD's Appraiser (Valuation Reviewer)

What's different for valuation under MAP?

- HUD's review of rents and expenses completed is at pre-application stage
- Vacancy and collection loss no less than 5%
- Phase I ESA required for all MAP programs
- Phase I ESA at pre-application stage for 220, 221d and 232
- HUD appraiser visits site and evaluates critical and non-critical repairs
- SAMA and conditional stages are eliminated
- Updates to appraisals (120 days or more) require re-inspection

Lender's Role

Lender's Market Analyst 220 and 221d Projects



Action:

- Prepare Market Study

Lender's Market Analyst Qualifications

- Each market analyst must meet the following minimum qualifications:
 - Have at least three years of experience in performing market analysis for income producing property
 - Be currently active and regularly engaged in performing market studies for multifamily properties and have experience with properties of similar complexity
 - Be knowledgeable concerning real estate market conditions and financing trends in the area where project is located

Lender's Market Study Requirements

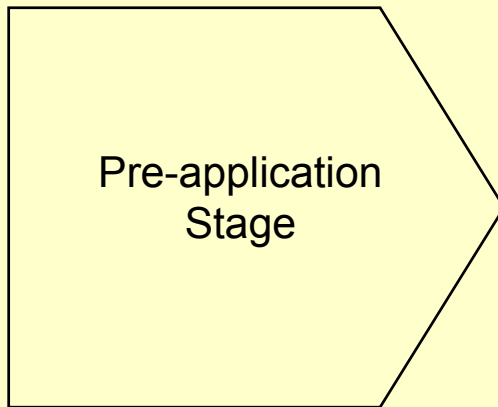
- **Each market study must meet the following requirements:**
 - Be prepared for, paid for, and initiated by the Lender
 - Adequately describe:
 - ✓ the geographic boundaries
 - ✓ general characteristics of the market area
 - ✓ specific housing market conditions
 - ✓ characteristics of projects under construction and in planning
 - ✓ contain a demand estimate and analysis and estimated absorption time

(continued)

Lender's Market Study Requirements

- Each market study must meet the following requirements:
 - Have an effective date within 120 days before the date the pre-application is delivered by the Lender to HUD or within 120 days before the Firm Commitment application is delivered for a 232/223(f)
 - Be prepared with information provided by the MAP Lender (Appendix 4)
 - Be prepared in conformance to the market study format found in Appendix 7A
 - Have a market analyst certification

Lender's Appraiser 220 and 221d Projects



Actions:

- Use market comparables to:
 - Determine project rents
 - Determine operating expenses

Lender's Appraiser Qualifications

- **Each appraiser must meet the following minimum qualifications:**
 - Be a Certified General Appraiser in the State in which the property is located
 - Be currently active in the appraisal of multifamily properties and have experience with properties of similar complexity
 - Meet all requirements of the Competency Rule described in USPAP
 - Have at least 3 years of income property appraisal experience
 - Be knowledgeable concerning real estate market conditions and financing trends in the area where the property is located

Lender's Appraiser Appraisal Requirements

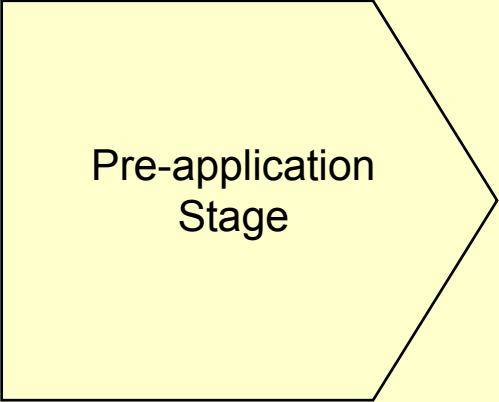
- **Each appraisal must meet the following requirements:**
 - Be prepared for, paid for, and initiated by the Lender
 - Be a self-contained appraisal in support of conclusions made on forms completed by the appraiser, including:
 - Form HUD-92264 (92264 HCF for Section 232 projects)
 - HUD-92264-A
 - HUD-92273
 - HUD-92274

(continued)

Lender's Appraiser Appraisal Requirements

- Adequately describe the geographic area, neighborhood, rental competition, sales comparables, site, and improvements
- Produce a fair market value, replacement cost, or “as is” value depending on type of project
- Have an effective date within 120 days before the Firm Commitment application is delivered by the Lender to HUD
- Be prepared with information provided by MAP Lender (Appendix 4)
- Have an appraiser certification

Lender's Appraiser 220 and 221d Projects



Pre-application
Stage

Deliverables:

- HUD-92013
- Location map
- Evidence of site control
- Market study (as prepared by Lender's appraiser or Market Analyst)
- Determination of project rents, estimated rental income, and operating expenses
- Estimate of Market Rent by Comparison (HUD-92273 with supporting attachments)
- Operating Expense Analysis Worksheet (HUD-92274 with supporting attachments)
- Determination of market demand (prepared by Lender's underwriter)
- Acceptability of the proposed site

Lender's Appraiser 220 and 221d Projects



Firm
Commitment
Stage

Actions:

- The Lender provides the Appraiser with construction cost estimates from the Cost Analyst to use in establishing the replacement cost
- Perform a limited, self-contained appraisal establishing the replacement cost
 - Update HUD-92273 and HUD-92274 from pre-app stage

(continued)

Lender's Appraiser 220 and 221d Projects



Firm
Commitment
Stage

Actions (continued):

- Prepare sections of the Rental Housing Project Income Analysis and Appraisal (HUD-92264). Calculate:
 - market rents
 - estimated income
 - estimated total operating expenses
 - total estimated replacement cost
 - “warranted price of the land” for new construction
 - “as is” value for substantial rehabilitation
 - estimate of operating deficit and replacement reserve

Lender's Appraiser 220 and 221d Projects



Firm
Commitment
Stage

Deliverables:

- HUD-92013
- Evidence of permissive zoning
- Evidence of last-arms-length transaction and price
- Self-contained appraisal
- Rental Housing Project Income Analysis and Appraisal Form (HUD-92264) and Supplement to Project Analysis (HUD-92264A)
- Updated estimates of Market Rent by Comparison (HUD-92273 with supporting attachments). Only minor adjustments are permitted
- Updated operating Expense Analysis Worksheet (HUD-92274 with supporting attachments). Only minor adjustments are permitted
- Appraiser's certification

Lender's Appraiser 232 Projects

Principal elements of the Lender's appraisers duties:

- Land appraisal
- Site and market acceptability
- Bed and residential accommodation charges by comparison
- Annual expense
- Net income computations
- Determination of project value
- Operating deficit

Lender's Appraiser 232 Projects: Firm Commitment

Include Business Plan

- Remember, for health care facility proposals, incorporate a discussion of the project business plan in the narrative report, including:
- Service package offered by the facility
 - Staffing ratio (caregivers to patients)
 - Marketing plan

Lender's Appraiser 232 Projects

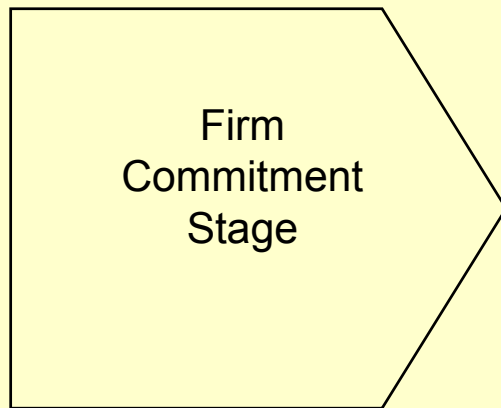


Firm
Commitment
Stage

Actions:

- For new construction and substantial rehabilitation, follow basic instructions for Sections 221(d) and 220
- For Sections 232 projects pursuant to 223(f), follow basic instructions for projects pursuant to 223(f)
- Primary difference in determining market value is the inclusion of a return to realty, non-realty in the determination of net income

Lender's Appraiser 223(f) Projects



Actions:

- Perform a complete, self-contained appraisal of the property, establishing market value
- Inspect property with Lender's Needs Assessor to:
 - consider eligibility of project (condition)
 - check project occupancy level
 - verify owner's rent roll
 - determine whether apartments are furnished
- Analyze property for site acceptability
- Review balance sheets and operating statements
- Determine project rents (HUD-92273)
- More...

Lender's Appraiser 223f Projects



Firm
Commitment
Stage

Actions (cont'd):

- Determine project operating expenses (HUD-92274)
- Prepare sections of the Rental Housing Project Income Analysis and Appraisal (HUD-92264).
- Calculate:
 - market rents
 - estimated income
 - estimated total operating expenses
 - and accumulated depreciation
 - “warranted price of the land”
 - “fair market value” of project
 - estimate replacement reserve
 - estimated occupancy rate

Lender's Appraiser 223f Projects



Firm
Commitment
Stage

Deliverables:

- HUD-92013
- Location map
- Evidence of permissive zoning
- Evidence of site control
- Evidence of last-arms-length transaction and price
- Phase I Environmental Site Assessment and a Phase II ESA if needed
- A complete appraisal
- Estimate of Market Rent by Comparison (HUD-92273)
- More...

Lender's Appraiser 223f Projects



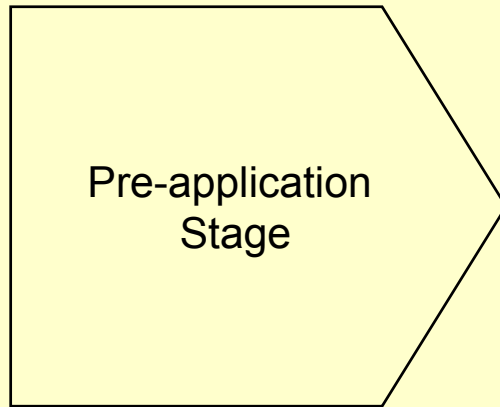
Firm
Commitment
Stage

Deliverables (cont'd):

- Operating Expense Analysis Worksheet (HUD-92274)
- Rental Housing Project Income Analysis and Appraisal (HUD-92264)
- Trial Supplement to Project Analysis (HUD-92264A)
- Balance sheets and operating statements
- Rent roll
- Project Capital Needs Assessment
- Appraiser's certification

HUD's Role

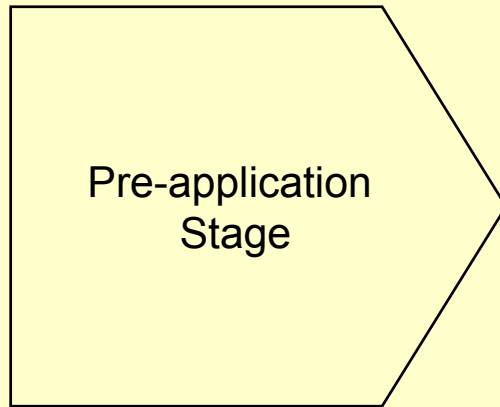
HUD's Appraiser 220, 221d and 232 Projects



Actions:

- Review Lender's Underwriting Summary
- Conduct desk review of the market study
- Inspect subject site and a reasonable number of the comparables to assess acceptability of rent and expense estimates
- Review Lender's Phase I Environmental Assessment
- Begin preparation of Environmental Assessment and Compliance Findings for Related Laws (HUD-4128)
- More...

HUD's Appraiser 220, 221d and 232 Projects



Actions (cont'd):

- Review HUD-92013, HUD-92273, and HUD-92274
- Assess acceptability of
 - proposed rents, estimated rent income
 - total operating expenses
- Section 232 - Certificate of Need

Deliverable:

- Report of recommendations

HUD's Appraiser 220, 221d and 232 Projects



Firm
Commitment
Stage

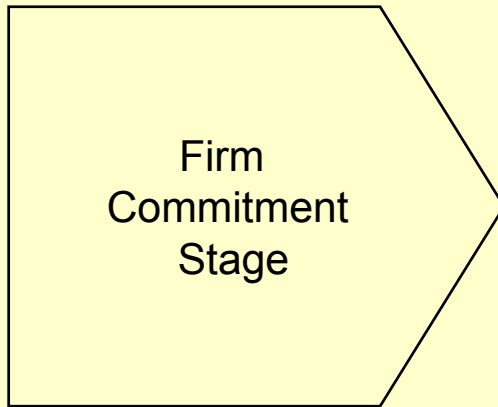
Actions:

- Review the Lender's Underwriting Summary
- Perform thorough technical review of the project appraisal
- Complete HUD-4128 and the Sample Field Notes Checklist
- Review and approve exhibits:
 - Rental Housing Project Income Analysis and Appraisal (HUD-92264)
 - Estimates of market Rent by Comparison (Updated HUD-92273)
 - Operating Expenses Worksheet (Updated HUD-92274)

Deliverable:

- Report of recommendations

HUD's Appraiser 223f Projects



Actions:

- Review the Lender's Underwriting Summary for justifications of discrepancies and for due diligence review of appraisal
- Perform thorough technical review of the project appraisal
- Inspect subject site and acceptability of rent and expense comparables
- Determine general acceptability of proposed critical and non-critical repairs; if necessary, make a recommendation of a more detailed review by the HUD Construction Analyst
- Complete HUD-4128 Part A

HUD's Appraiser 223f Projects



Firm
Commitment
Stage

Actions (cont'd):

- Review and approve exhibits:
 - Rental Housing Project Income Analysis and Appraisal (HUD-92264) and Supplement (HUD-92264A)
 - Estimates of market Rent by Comparison (HUD-92273)
 - Operating Expenses Worksheet (HUD-92274)

Deliverable:

- Report of recommendations

Points to Remember

- *Understand what documentation is necessary to support an application*
- *Lender's appraisers are expected to be familiar with HUD requirements*
- *Complete, correct and consistent packages facilitate rapid and consistent reviews*
- *Understand what documentation is necessary to support an application*
- *Lender's appraisers are expected to be familiar with HUD requirements*

Points to Remember (cont.)

- *Appraisal must be clear as to methodology and reasoning , and show all data*

Environmental Analysis

MAP Underwriter Training

Applicable Environmental Issues

- Lead-based paint
- Asbestos
- Historic Preservation
- Floodplain Management
- Wetlands Protection
- Endangered Species
- Noise Analysis
- Explosive/Flammable Hazards
- Coastal Barrier Resources
- Coastal Zone Management
- Sole Source Aquifers
- Airport Clear Zones
- Other Federal or State Laws
- Additional Hazards and Nuisances

Objectives of Session

- Understand roles of each of the participants in Environmental Review
- Know the applicable environmental concerns
- Identify ways to coordinate environmental findings with other technical reviews

What's different for the environmental review under MAP?

- Phase I ESA required for all MAP-qualified programs
- Phase I ESA conducted before pre-application stage for 220, 221d and 232 projects
- Phase I ESA conducted before firm commitment stage for 223(f) and 232 pursuant to 223(f) projects

Participants/Roles in MAP

- Environmental Professionals
- Lender
- HUD's Appraiser

Environmental Professional's Role

Environmental Professional Qualifications

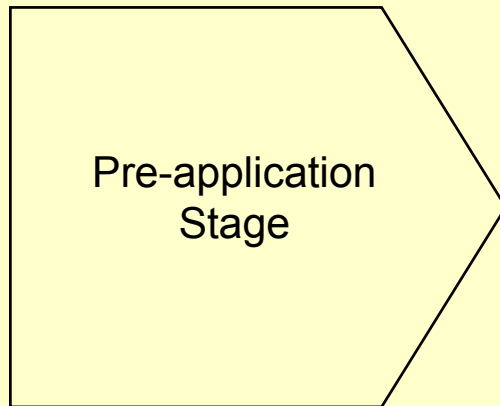
- It is up to the sponsor/developer to select the professionals to be used in the environmental review
- It is up to the Lender to verify that the professionals used are qualified for their assigned responsibilities
- Environmental professionals preparing the Phase 1 ESA must meet the requirements set forth in the ASTM E-1527-97 as amended “Standard Practice for Environmental Site Assessments: Phase 1 Environmental Site Assessment Process”

(continued)

Environmental Professional Qualifications

- Other professionals may be required to evaluate technical areas, such as toxic chemicals or soil conditions
- The Lender should assure itself that these technicians are qualified
- When these professionals are required, the Lender may contract for those services if the sponsor/developer has not done so

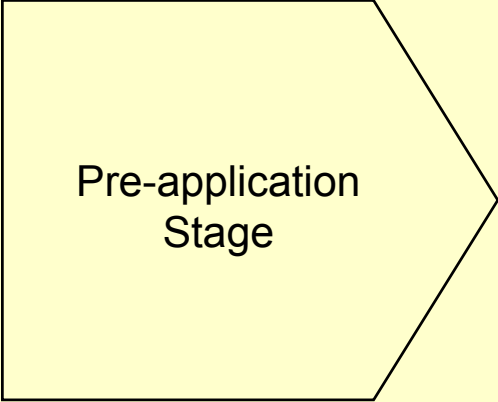
Environmental Professional 220 and 221d Projects



Actions:

- Conduct Phase I Environmental Site Assessment (ESA)
- Identify any Recognized Environmental Concerns (REC)
- Conduct Phase II ESA if Phase I is inconclusive

Environmental Professional 220 and 221d Projects



Pre-application
Stage

Phase I (ESA) includes:

- Review of current and historical records
- Interviews with people knowledgeable of the site
- Inspection of buildings, grounds, and adjacent properties
- Report on details of data investigation, reporting process, and an opinion of the data's accuracy

Environmental Professional 220 and 221d Projects



Firm
Commitment
Stage

Actions:

- Determine that all RECs are or can be resolved
- Update reports from pre-application

Environmental Professional 223f Projects



Firm
Commitment
Stage

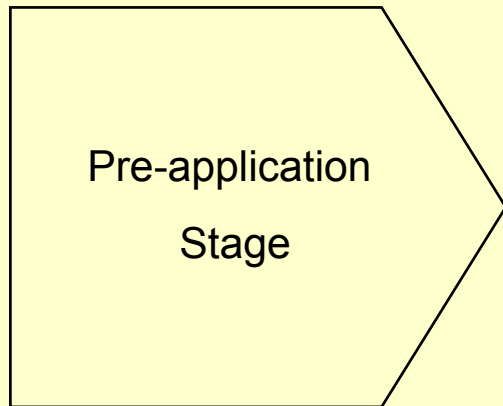
Actions:

- Conduct Phase I Environmental Site Assessment (ESA)
- Identify any REC
- Conduct Phase II ESA if Phase I is inconclusive

Lender's Role

Lender's Role

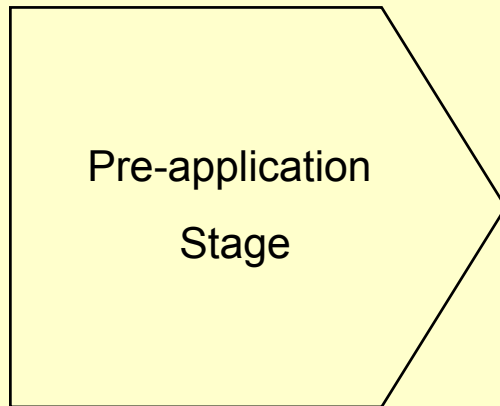
220, 221 and 232 Projects



Actions:

- Consult with HUD staff regarding any environmental concerns
- Submit completed Phase I ESA
- Submit a narrative environmental report
- Use HUD-4128 and the sample field notes checklist as a guide

Lender's Role 220, 221 and 232 Projects



Actions:

- Demonstrate that REC from the Phase I ESA are or can be resolved
- Verify that
 - Historic preservation issues resolved
 - Project not located in a high noise zone
 - Property not located in 100-year floodplain

Lender's Role Narrative Environmental Report

- The Sample Field Notes Checklist, From HUD-4128, is meant to provide a generalized outline of typical questions for environmental review in the narrative environmental report
- The should identify any environmental issues to be resolved
- This narrative report will help HUD staff complete Form HUD-4128, "Environmental Assessment and Compliance Findings for Related Laws"
- HUD and the Lender should reach agreement at pre-app with regard to the measures taken to resolve issues

Resolve Issues at Pre-application Stage

- In addition to issues regarding site contamination, important issues that usually must be resolved at the pre-application review include those related to:
 - Historic Preservation
 - Noise
 - Floodplains and Wetlands
 - Explosive/Flammable Hazards

Resolve Issues at Pre-application Stage

HISTORIC PRESERVATION

- ALL applications for HUD mortgage insurance are considered “federal undertakings” which require HUD to make a determination of:
 - no effect,
 - no adverse effect, or
 - adverse effect upon historic properties

(continued)

Resolve Issues at Pre-application Stage

HISTORIC PRESERVATION

- Lenders should notify the State Historic Preservation Officer (SHPO) when submitting exhibits for pre-application review or earlier
- If a problem is expected, it should be discussed with Hub or Program Center
- The response from the SHPO must be received before a commitment is issued
- HUD must make a determination and finding regarding historic preservation before firm commitment can be issued

Resolve Issues at Pre-application Stage

NOISE

- If the project is located near a major noise source, a noise assessment will be required for new construction. Possibilities include:
 - Civil airports (within 5 miles)
 - Military airfields (within 15 miles)
 - Major highways and busy roads (within 1000 feet)
 - Railroads (within 3000 feet)
 - Facilities generating loud or repetitive noises (factories, quarries, trucking terminals, etc.)
- (continued)

Resolve Issues at Pre-application Stage

NOISE

- HUD standards regarding the acceptability of noise impacts on residential property are found at 24 CFR Part 51
- For new construction and conversion from non-residential to residential projects, these standards must be met
- For rehabilitation and refinancing, noise exposure by itself will not result in rejection of existing properties for insurance, but will be considered as a marketability factor

Resolve Issues at Pre-application Stage

FLOODPLAINS

- If any part of the site or integral offsite development is located within the 100-year floodplain according to the applicable FEMA map, this should be discussed with HUD at the pre-application stage
- New construction in mapped 100-year floodplains is strongly discouraged
- Proposed rehabilitation, refinancing, or new construction for facilities housing or serving mobility-impaired individuals in mapped 500-year floodplains is strongly discouraged

(continued)

Resolve Issues at Pre-application Stage

FLOODPLAINS

- Any existing building accepted for mortgage insurance which is located within a FEMA mapped floodplain is required to carry flood insurance:
- In the amount of the loan
 - For the term of the loan
 - Subject to available maximum coverage
- ALL leases must contain acknowledgements signed by tenants indicating that they have been advised that:
 - The property is in the floodplain, and

May-03 Flood insurance is available for their personal property

Resolve Issues at Pre-application Stage

WETLANDS

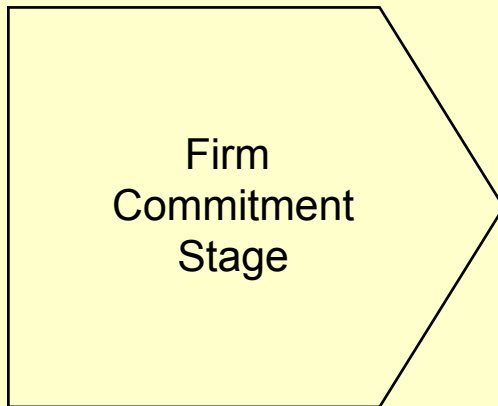
- Applications for mortgage insurance on new construction are subject to Executive Order 11990, "Protection of Wetlands"
- Wetlands are those identified on the National Wetland Inventory maintained by the U.S. Fish and Wildlife Service
- Proposals impacting wetlands must be reviewed by HUD
- Wetlands under local or state jurisdiction are subject to state or local review as appropriate

Resolve Issues at Pre-application Stage

EXPLOSIVE/FLAMMABLE HAZARDS

- HUD will not insure a property where structures and residents will be exposed to unacceptable risks posed by proximity to explosive or flammable hazards.
- There must be an Acceptable Separation Distance (ASD) away from aboveground storage facilities with explosive or flammable material contents and similar industrial facilities
- Analysis of sites near or in the vicinity of these types of facilities must be performed by HUD

Lender's Role 220, 221 and 232 Projects



Actions:

- Demonstrate that all RECs have been (or can be) resolved
- If necessary, develop maintenance plans for any asbestos and/or lead-based paint problems
- Report any changes or updates to pre-application environmental information

Lead-based Paint and Asbestos

- **Topics not covered in the SFNC or Form HUD-4128 include:**
 - Lead-based paint (may be present in buildings built before 1978)
 - Asbestos (may be present in buildings before 1978)
- **These topics must be addressed by the sponsor or sponsor's architect, if there is substantial rehabilitation**
- **All structures with lead-based paint and asbestos need an Operations & Maintenance Plan**

Lead-based Paint and Asbestos

LEAD-BASED PAINTS

- **Lead based paint requirements:**
 - Are relevant to conversion, substantial rehabilitation, and to refinancing or purchase of apartments under Section 232(f)
 - Are not applicable to rehabilitation, refinancing, or purchase of healthcare facilities
- **All HUD regulations have been updated. Copies of the new regulation, with guidance materials, may be downloaded from www.hud.gov/lea or obtained by phoning 1-800-424-LEAD**

Lead-based Paint and Asbestos

ASBESTOS

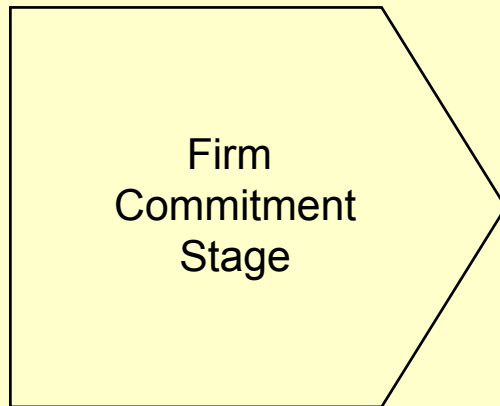
- If there is asbestos and it is friable, HUD recommends that it be removed
- If asbestos is not friable or damaged, it is usually acceptable for encapsulation
- This course of containment will require and Operations and Management plan

Environmental Analysis

More Information

- MAP Guide is available on the HUD web site
 - www.hud.gov/offices/hsg/mfh/map/mapguide/mapguide.cfm
- Questions?
 - FAQs on web site
 - Lotus Notes

Lender's Role 223f and 232/223f Projects

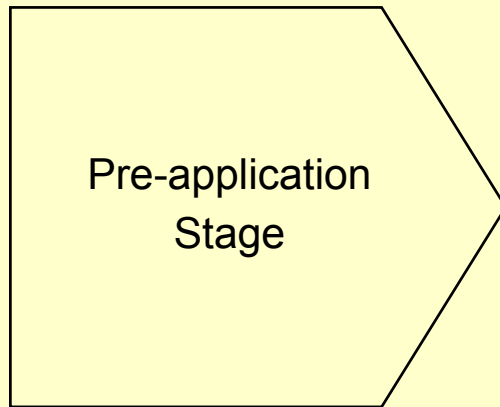


Actions:

- Consult with HUD staff regarding any environmental concerns
- Submit Phase I ESA
- Submit narrative environmental report
- Demonstrate that all RECs have been or can be resolved

HUD's Role

HUD's Appraiser 220, 221 and 232 Projects



Actions:

- Consult with Lender on any environmental concerns
- Review Phase I ESA, and Phase II ESA, if necessary
- Validate ESA during site visit
- Prepare sample field notes checklist
- Begin preparation of HUD-4128

HUD's Appraiser 220, 221 and 232 Projects



Firm
Commitment
Stage

Actions:

- Confirm that all REC's have been (or can be) resolved
- Complete HUD-4128
- Review any changes from pre-application

HUD's Appraiser 223f and 232/223f Projects



Firm
Commitment
Stage

Actions:

- Consult with Lender on any environmental concerns
- Review Phase I ESA and Phase II ESA, if necessary
- Validate ESA during site visit
- Prepare Sample Field Notes Checklist
- Complete HUD-4128

POINTS TO REMEMBER

- *HUD cannot give up its environmental regulatory responsibilities (HUD-4128)*
- *The Sample Field Notes Checklist should be used as a guide for the narrative report*
- *Lenders should coordinate ESA with other disciplines' results*
- *Informal communication with HUD staff concerning environmental requirements is encouraged*

Mortgage Credit Processing

MAP Lender/Third Party Training

Objectives of Session

- Understand responsibilities of the Lender's underwriter and HUD's mortgage credit analyst in MAP
- Understand what is different about operations under MAP

Participants/Roles in MAP

- Lender's Underwriter
- HUD Mortgage Credit Analyst (Reviewer)

Role of the Lender's Underwriter's

Lender's Underwriter Pre-application



**Pre-application
Stage**

Actions:

- Determine reasonableness of proposed replacement cost
- Estimate the insurable mortgage amount
- Determine the acceptability of any proposed nonprofit sponsor/mortgagor, if applicable

Lender's Underwriter Evaluating Nonprofit Sponsors and Mortgagors

- Required exhibits from Nonprofit Sponsor include:
 - Form HUD-3433, request for Preliminary Determination of Eligibility as Nonprofit Sponsor and/or Mortgagor
 - Detailed explanation of motivation for sponsoring the project
 - Copy of charter and bylaws or constitution
 - Copy of current effective ruling from the IRS on tax-exempt status
- (continued)

Lender's Underwriter Evaluating Nonprofit Sponsors and Mortgagors

- Required exhibits from Nonprofit Sponsor include:
 - List of officers, directors, and trustees
 - Resumes of all principals and staff who will actively participate in proposed project
 - Current financial statements (and for last 3 years)
 - Signed, written resolution of directors and trustees

(continued)

Lender's Underwriter Evaluating Nonprofit Sponsors and Mortgagors

- Required exhibits from Nonprofit Sponsor include:
 - Form HUD-92013-SUPP listing current bank and trade references for the sponsor/mortgagor and its officers
 - Information related to a prior federal default or claim

(continued)

Lender's Underwriter Evaluating Nonprofit Sponsors and Mortgagors

- Required exhibits from Nonprofit Sponsor include:
 - Detailed statement of arrangements made or proposed for:
 - Land on which the project will be built
 - Project construction, including selection of general contractor, subcontractors and architect
 - Legal and consulting services
 - Project financing, including any discounts

Lender's Underwriter Evaluating Nonprofit Sponsors and Mortgagors

Mortgage Credit Review Stage

- Is the nonprofit sponsor/mortgagor qualified to start, complete and operate a project under one of HUD's insured loan programs?
 - Acting on its own behalf
 - Has a serious long-range desire to supply housing for intended client group
 - Has strong roots and good reputation
 - Understands and acknowledges responsibilities and obligations
 - Providing required professional and management skills

Lender's Underwriter Evaluating Nonprofit Sponsors and Mortgagors

Credit Investigation

- Order data and/or commercial credit reports
- Make inquiries of bank and trade references
- Check for the existence of any delinquent federal debt
- Check with HUD offices in whose jurisdiction the nonprofit has done or now does business.

Lender's Underwriter Evaluating Nonprofit Sponsors and Mortgagors

Analysis of Financial Data

- Determine overall financial condition of the sponsoring group
- Look out for interfund receivables and payables that cancel each other out
- Do not consider restricted-use funds in the analysis
- Eliminate assets that have been used as collateral in secured borrowing
- Confirm that project size is in keeping with the abilities of sponsoring organization

Lender's Underwriter Evaluating Nonprofit Sponsors and Mortgagors

After completing the analysis of Form 3433, the underwrite prepares a memorandum of findings and recommendations if 221(d)(3) nonprofit transaction

The memorandum must consider:

- A. Administrative abilities within the organization.
- B. Cohesiveness of the group.
- C. Representation from State and national groups that will co-sponsor the project or supply financial help to the non-profit group if needed.
- D. Strong and weak points of the organization.
- E. Continuance or permanency of the group.

Lender's Underwriter Pre-application



**Pre-application
Stage**

Deliverables:

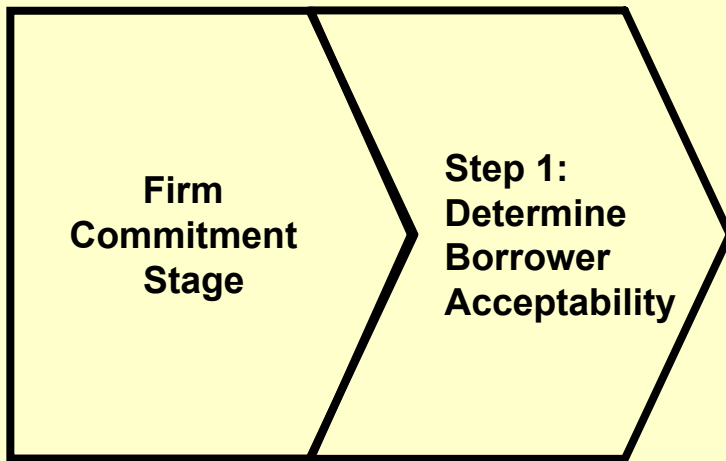
- Completed portions of Application for Multifamily Housing Project (HUD-92013)
- Request for Preliminary Determination as Nonprofit Sponsor and/or Mortgagor and supplemental documentation (HUD-3433)

Lender's Underwriter

Preparation of a Firm Commitment Application

- Step 1: Determine borrower's acceptability
- Step 2: Process financial statements
- Step 3: Determine mortgage amounts, cash requirements, etc.
- Step 4: Identify use of grant/loan funds, if applicable
- Step 5: Insure Upon Completion or Insurance of Advances
- Step 6: Estimate cash requirements for project
- Step 7: Complete underwriter's summary and assemble package

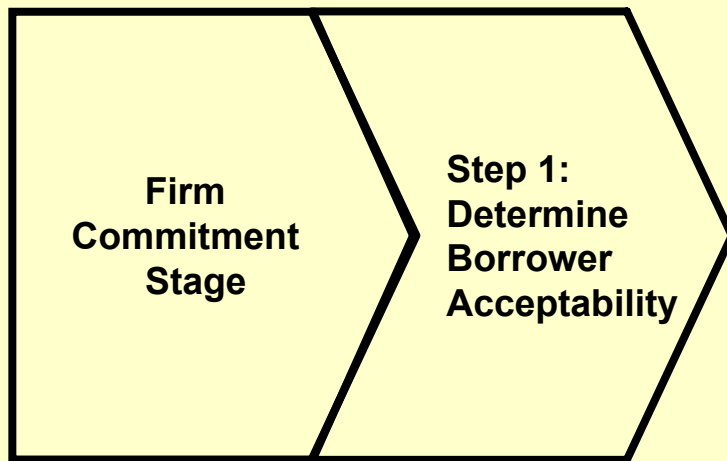
Lender's Underwriter Firm Commitment



Actions:

- Identify mortgagor and the project principals
- Analyze creditworthiness of the principals, sponsors, the mortgagor entity, and the general contractor
- Analyze the mortgagor's and general contractor's experience record
- Determine the financial capability of the mortgagor and the general contractor

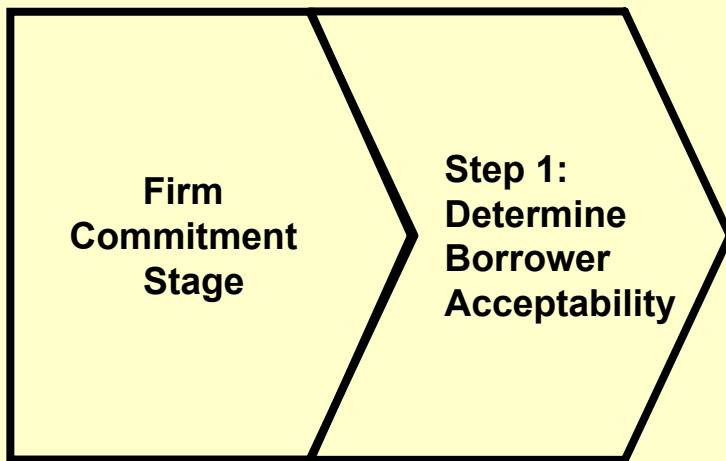
Lender's Underwriter Firm Commitment



Deliverables:

- Application for Multifamily Housing Projects (HUD-92013)
 - Type of mortgagor entity
 - Interest rate, costs of issuance, financing fees, etc.
 - Names, addresses, telephone numbers and SSNs or EINs
 - Sources of funds for the mortgagor entity
- Resumes for the sponsor, mortgagor and its key principals, and the general contractor
- more...

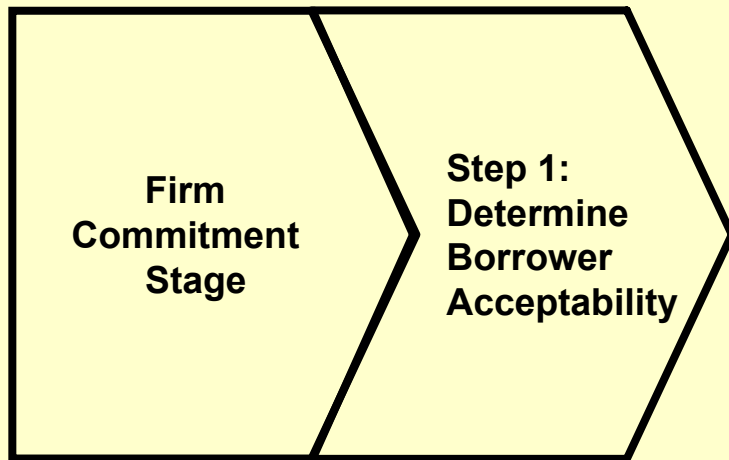
Lender's Underwriter Firm Commitment



Deliverables (cont'd):

- Previous Participation Certification (HUD-2530)
- HUD-92013 Supplement (bank references)
- Signed and Completed Verification of Deposit (HUD-92004F)
- Grant and/or loan commitment (if applicable)
- Listing of all business concerns

Lender's Underwriter Firm Commitment



Deliverables (cont'd):

- Identity of Interest Statement
- Current credit reports
- Evidence of site control
- Certifications to release banking and credit information

Lender's Underwriter Reviewing the Credit Report

- All information obtained from credit reports and histories must be compared to financial statements provided to raise any contradictory issues
- Make reasonable inquiries to determine whether applicant is delinquent on any federal debt
- Investigate any adverse credit information that appears on credit report or becomes known based on inquiries

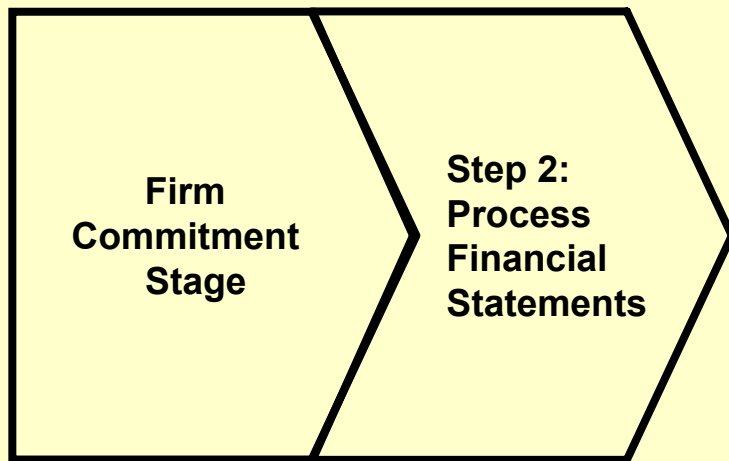
Lender's Underwriter Reviewing Trade and Credit References

- Make inquiries of banks and trade references that have been disclosed on the HUD-92013-SUPP
- Include a copy of the certification authorizing release of credit information with written inquiries for trade references
- For bank inquiries, rely on the completed Form HUD-92004-F, Request for Verification of Deposit

Lender's Underwriter Rejection Because of Unacceptable Credit

- In summary, consider the individual/firm a credit reject if:
 - The principal has a history of not repaying creditors in a timely manner
 - Delinquent federal debt has not been resolved
 - There are judgments or actions against the party which could significantly impact the financial condition of the firm, or result in a determination as an unacceptable credit risk

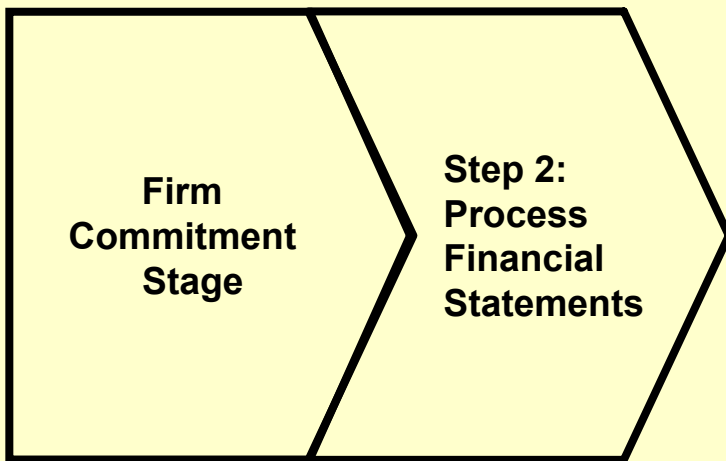
Lender's Underwriter Firm Commitment



Actions:

- Determine if the sponsors, mortgagor or principals and general contractor have the financial capacity to develop, build and complete the project
- Determine whether the general contractor has the ability to deliver the project
- Perform an analysis of working capital to determine the amounts available for investment in the project
- Determine which non-pledged, unsecured assets can be readily hypothecated to produce the required investment

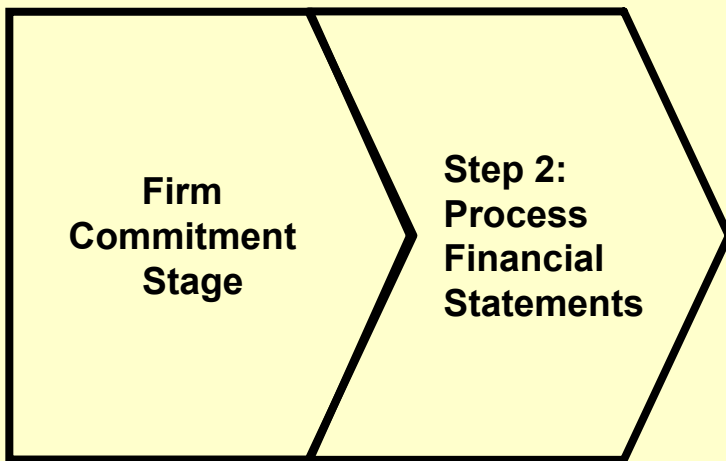
Lender's Underwriter Firm Commitment



Deliverables:

- Personal financial and credit statements of the sponsor, mortgagor, and general contractor (HUD-92417) or a substitute statement
- Separate statements and supporting documents from business entities:
 - Balance sheets
 - Income and expense statements
 - Statement of changes in financial position or statement of changes in fund balance, if applicable
 - Supporting schedules
- more...

Lender's Underwriter Firm Commitment



Deliverables (cont'd):

- Separate statements and supporting documents (cont'd):
 - Combined or consolidated statements, if applicable
 - Other financial data determining financial responsibility and capacity
 - Signed and dated truth and accuracy, and criminal certification

Lender's Underwriter Processing for Financial Statements

- Use this information to determine:
 - Sponsor's available working capital
 - General contractor's net working capital should be equal to or greater than 5% of the estimated construction contract

(continued)

Lender's Underwriter Processing for Financial Statements

- A fully funded mortgagor entity does not require financial statements of the individual ownership interest(s)
- A written statement must be submitted from principals who are sponsors indicating the parameters of their financial commitment to, and contractual relationship with, the mortgagor

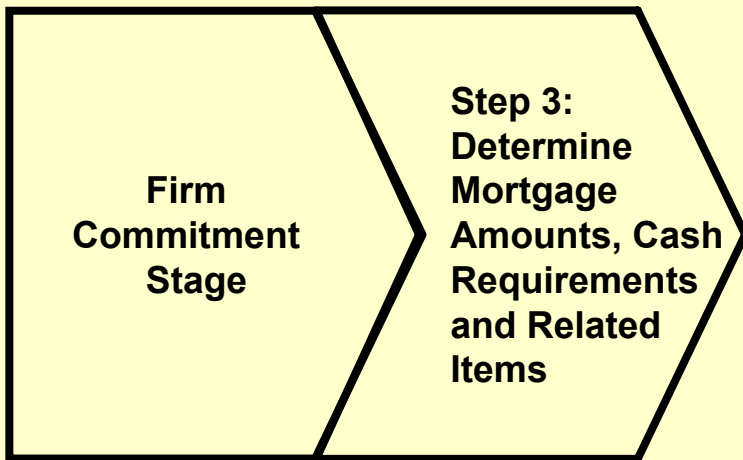
(continued)

Lender's Underwriter Processing for Financial Statements

- Working Capital
 - The excess of current assets over current liabilities
- Net Working Capital
 - Adjust working capital for the effects of contingent liabilities and the financial needs of work in progress
 - The general contractor's net working capital should equal 5% of the estimated construction contract

Lender's Underwriter

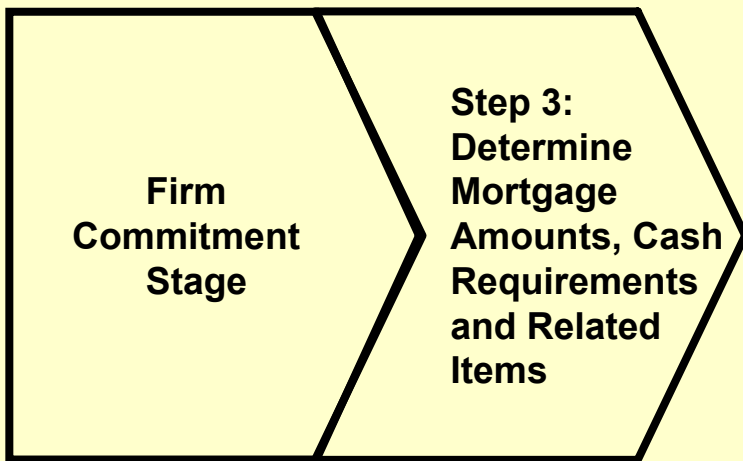
Firm Commitment (220, 221d)



Actions:

- Determine the recommended mortgage amount and other key terms of the loan
- Use criteria found in section 8.7 of MAP Guide to determine maximum mortgage amount

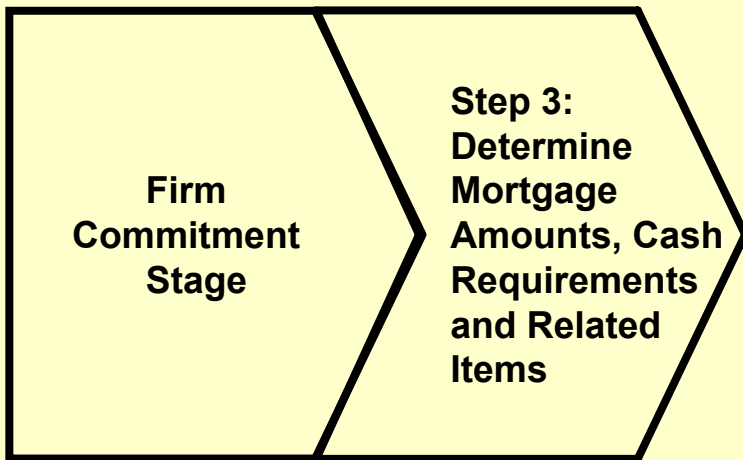
Lender's Underwriter Firm Commitment (232)



For new construction, the insurable amount is lowest of:

- Application amount
- Value amount – 90% proprietary, 95% non-profit
- Debt service not above 90% for proprietary mortgagor, 95% for non-profit
- Replacement cost less grants, loans, gifts (non-profit mortgagors only)

Lender's Underwriter Firm Commitment (232)

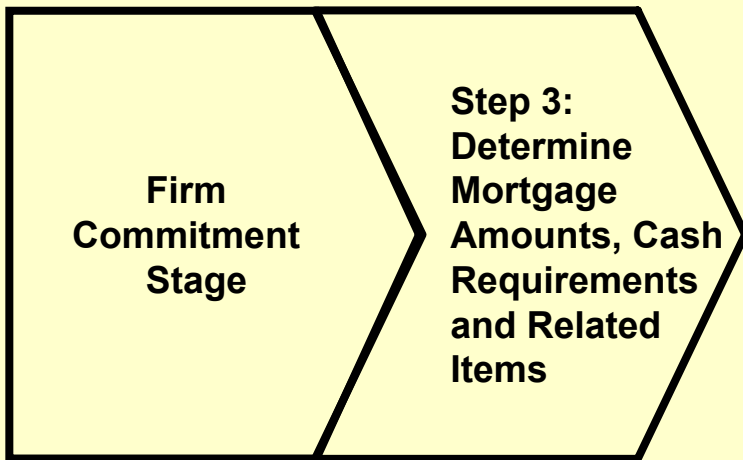


For substantial rehabilitation, the insurable amount is lowest of:

- Application amount
- Debt service not above 90% for proprietary mortgagor, 95% for non-profit
- Replacement cost less grants, loans, gifts (non-profit mortgagors only)
- Additional rehabilitation criteria - See Section 8.8.A.2

For existing facilities with an addition – See Section 8.8.B

Lender's Underwriter Firm Commitment (223f)



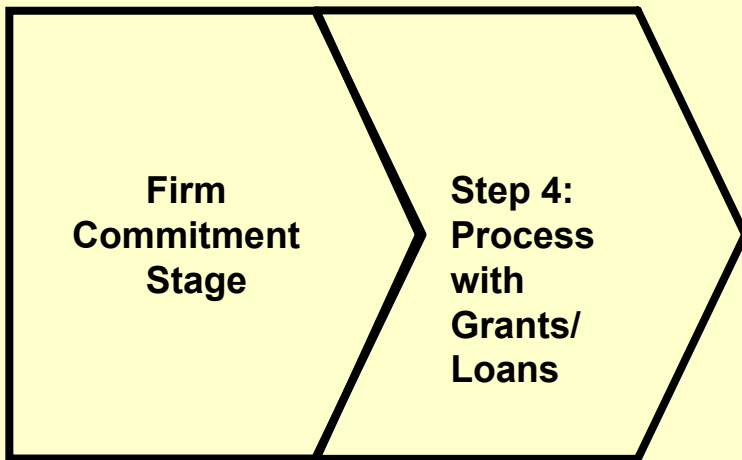
For purchases, the insurable amount is lowest of:

- Application amount
- Section 207 - statutory mortgage limits
- 85% of Lender's estimate of value less grants, loans, etc.
- 85% of estimated net income
- 85% of the cost of acquisition

For refinances, the lesser of all of the above except cost of acquisition and the greater of 80% of value or the cost to refinance

For Section 232 pursuant to 223(f) use the criteria found in Section 8.9.B. of the MAP Guide to determine maximum mortgage amount

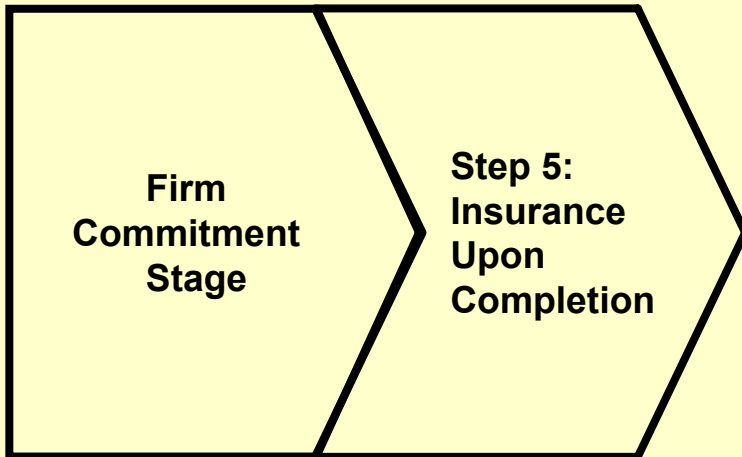
Lender's Underwriter Firm Commitment



Actions:

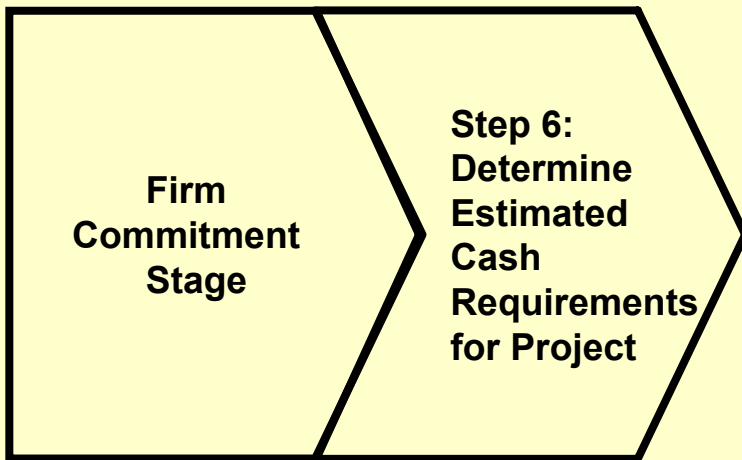
- Identify the use of grant/loan funds, if applicable

Lender's Underwriter Firm Commitment



- Available under MAP
- Working capital deposit is not required
- Assurance of completion is not applicable
- MIP in replacement cost is not applicable

Lender's Underwriter Firm Commitment



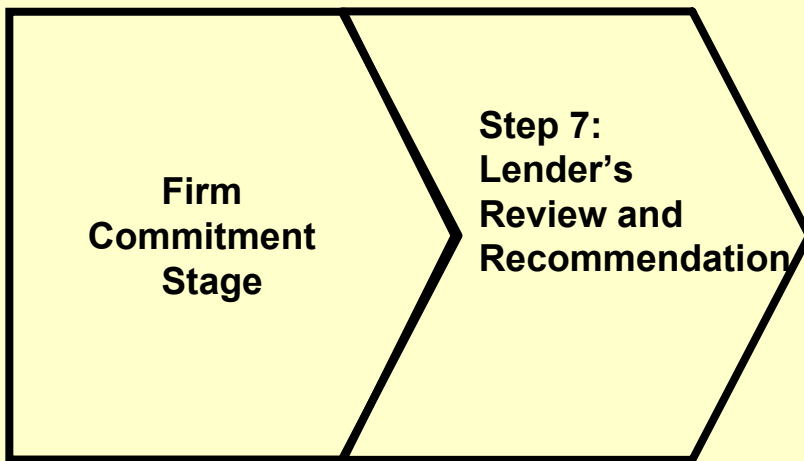
Total the following:

- Lender's total estimated development cost
- Amount needed to clear all debts on land or property
- Estimated cost of offsite improvements
- Cost of equipping project with nonrealty items (Section 232)
- Required working capital deposit
- Operating deficit
- Commitment, marketing fees, discounts
- Out of pocket cost of issuance
- Relocation payments

Deduct:

- Maximum insurable amount
- Grant/loan funds attributable to replacement cost items
- Fees not paid in cash

Lender's Underwriter Firm Commitment



Actions:

- Provide detailed report of project's financial requirements and the credit history of the sponsors and general contractor
- Determine net amount of cash or its equivalent needed to close the transaction
- Transmit all mortgagor submissions and related documents

Lender's Underwriter

Firm Commitment Processing with Grants / Loans

- Applicant should
 - Identify the amount of grant/loan funds on Form HUD-92013, Application for Mortgage Insurance
 - Submit a commitment letter signed by an authorized agent identifying the amount of grant/loan funds, intended use of those funds, and any conditions

Lender's Underwriter

Secondary Financing - Section 223(f)

- The amount of secondary financing is based on the source of funding
 - Federal, state or local government agency
 - Other entities or natural persons
- Repayment of the secondary financing including interest, is geared solely to the availability of surplus cash
- Promissory note - Form FHA-2223 [Form FHA 1710 for a nonprofit mortgagor]

Lender's Underwriter Bond Financed Projects

- Sponsor must submit a separate statement itemizing estimated cost of issuance, discounts and financing fees
- Check the statement for reasonableness
- Make adjustments where appropriate
- Use this information in developing the Total Estimated Cash Requirement on Form HUD-92264-A

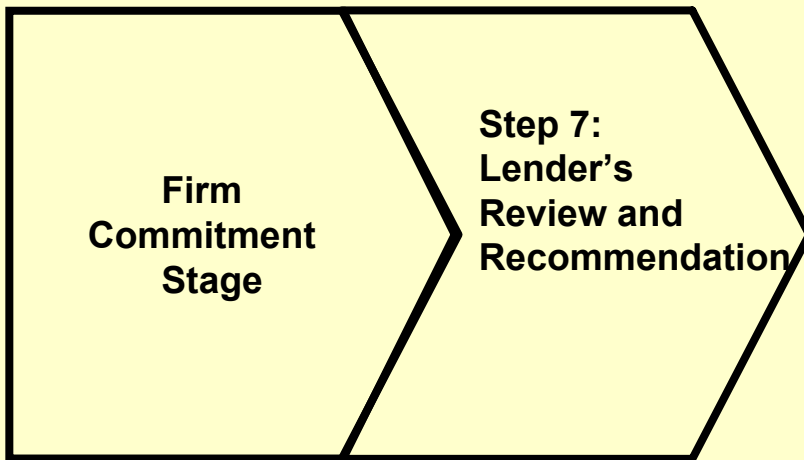
Lender's Underwriter Bond Financed Projects

Itemized Statement of Costs

- Attached to and reflected in Mortgagee's Certificate, Form HUD-92434
- Includes costs of issuance of the obligations, discounts, and financing fees paid through the mortgage
- HUD will recognize for cost certification purposes reasonable costs

Note: Under Section 223(f) for cost certification purposes these costs cannot exceed 5.5% included in the mortgage

Lender's Underwriter Firm Commitment



Deliverables:

- Underwriter's mortgage credit report
- Completed HUD-92264A and the exhibits for the type of mortgage proposed
- All mortgagor submissions and related documents

Lender's Underwriter's Mortgage Credit Report

Mortgage Credit Report includes:

- Name of the mortgagor entity
 - Composition of the mortgagor entity
 - Name of the general contractor
 - Mortgage amount and controlling criterion
 - Financial requirements for closing
 - Sources of funds to meet cash requirements
 - The experience level of the development team relative to the proposed project
- (continued)

Lender's Underwriter's Mortgage Credit Report

Mortgage Credit Report includes:

- Credit and financial review of the mortgagor, sponsor(s), key principals, and general contractor; addressing positive and negative findings known by the lender
- Bonding requirements
- Recommendation to accept or reject
- If accepted, any conditions to be included in the commitment

HUD's Role

HUD's Role

What is HUD looking for?

- Appendix 8A
 - Estimate of replacement cost
 - Estimate of the mortgage amount
 - Eligibility of non-profit sponsors
 - Previous participation
 - Underwriter's mortgage credit report
 - Sponsor, mortgagor, principals, and general contractor
 - Maximum mortgage amount
 - Financial requirements for settlement
 - Source of funds to meet cash requirements

HUD's Role



**Pre-application
Stage**

Actions:

- Determine acceptability of nonprofit sponsors/mortgagors

HUD's Role



**Firm
Commitment
Stage**

Actions:

- Review Previous Participation Certification (HUD-2530)
- Review principals or participants role and status of previous projects
- Review credit and financial capability of principals and supporting documentation
- Review the Lender's underwriter's mortgage credit report and HUD-92264A
- Verify the sources of funds to meet cash requirements
- Submit recommendation with Mortgage Credit Review Report

Points to Remember

- *Review Appendix 8A for HUD's expectations*
- *Follow MAP Guide for specific directions*
- *Contact with HUD staff is encouraged*

Underwriting

MAP Lender/Third Party Training

Objectives of Session

- Understand the importance of the Underwriter's Summary
- Understand what HUD needs from Lender in order to complete application review effectively
- Understand who the HUD point of contact is at each stage
- Compile list of deliverables for which Lender is responsible at each stage of the application process
- Gauge the level of resources necessary to complete a MAP application

Participants

- Lender's Underwriter
- HUD's Multifamily Housing Representative
- HUD's Team Leader

Lender's Underwriter

Lender's Underwriter

What's Different

- Lender has specific HUD points of contact at each stage of the application
- Lender provides a narrative summary
- Lender's Underwriter is responsible for assembling pre-application and firm commitment application packages, with exhibits from each of the technical reports
- There is no pre-application for 223f projects

Lender's Underwriter Points of Contact

Prior to Pre-Application

- *MAP Coordinator*
 - *To obtain Team Leader name and where to submit application*
- *Team Leader*
 - *To submit Underwriting Team*
 - *To conduct an optional, informal discussion regarding any unique aspects of project*

Lender's Underwriter Points of Contact

Pre-Application

- *Team Leader*
 - *To submit pre-application and narrative summary*
- *Multifamily Housing Representative*
 - *To make any contact with HUD while HUD is reviewing the Pre-Application*

Lender's Underwriter Points of Contact

Firm Commitment

- *Team Leader*
 - *To re-submit Underwriting Team*
 - *To submit application*
- *Multifamily Housing Rep.*
 - *To make any contact with HUD while HUD is reviewing the Firm Commitment application*

Lender's Underwriter/Construction Loan Administrator

Points of Contact

Initial Endorsement – Final Endorsement

- *Construction Loan Manager/Coordinator*
- *HUD Inspector*
- *Mortgage Credit Examiner*
- *Office of General Counsel*
- *Assigns HUD Inspector*
- *HUD's Field Representative Issued Trip Report*
- *Post Reviews Interim Advances*
- *Initial and Final Loan Closing Documents*

HUD's Perspective on Underwriting

HUD's Perspective

- HUD accepts projects for mortgage insurance because:
 - The project complies with program requirements
 - The project represents a sound business deal and good insurance risk
 - The proposed project (new construction or rehabilitation) makes sense for the community
 - The refinance of the property will improve the financial and physical condition of the property

HUD's Perspective

- What HUD wants in a project:
 - Compliments an existing community
 - Creates a sense of community unto itself
 - Allows for good access in and out of the property
 - Is well-situated on the site (good topography for the area)

(continued)

HUD's Perspective

- What HUD wants in a project:
 - Not too big, not too small
 - Appealing amenities
 - Conveniently located to services
 - Professional and effective management

Exercise

You Make the Call!



You Make the Call!

Accept **Accept with HUD modifications** **Lender modifies** **Reject**

How would you handle the following situations:

1. We have discovered near the end of the 45-day processing time that the management agent has changed since the pre-application and is unacceptable. What do you do?
2. A 223f appears satisfactory but the owner is new to HUD. The owner is proposing self-management. The project is in an underserved area.
3. 223f that currently has 90% occupancy. The MAP underwriter submits at 93%. They have repairs identified. There is a new ownership strategy. The Market is at 88%. The project is in an underserved area. What is the affect on net revenue?

You Make the Call!

4. A 223f has a 75% loan to value ratio. The first phase is three years old, the second phase is 2.5 years old. The owner wants to roll the two loans into one loan, add carports and fireplaces at a cost of \$6,500/unit. The area is an underserved, EC/EZ area.
5. A developer wants to develop a warehouse into loft apartments in a downtown area. The numbers support the mortgage requested. There will be 150 units, 25% commercial space. The commercial space is not primarily intended to serve the tenants. The local government supports the deal. Provide two strategies to make the deal work.

MAP Underwriting Process:

Pre-application Stage

Pre-application Stage

220, 221d & 232

Lender's Responsibilities

Interaction with HUD

- Lender has optional informal discussion with MAP Coordinator about any unique aspects of application, including competing proposals and known problems with market and environmental concerns
- Lender contacts MAP Coordinator to obtain Team Leader contact name and where to submit application
- Lender submits Underwriting team to Team Leader

Pre-application Stage

220, 221d & 232

Lender's Responsibilities

- Submit a list and qualifications of the proposed MAP Lender Reviewers at the earliest point possible
- Review developers materials to determine if they meet HUD requirements and assemble pre-application package
- Prepare a narrative summary to include:
 - Description of proposed project
 - Explanation of differences between application and market study
 - Disclosure of problematic features of proposed project (i.e. zoning, unusual site condition, environmental)

Pre-application Stage 220, 221d & 232

Lender's Responsibilities

- See Appendix 4A and 4B of the MAP Guide for the Applicant Requirements Checklist

Pre-application Stage 223f

Lender's Responsibilities

- There is no Pre-application submission for 223f and 232/223f
- Informal discussion with Team Leader is available *and* encouraged

Pre-application Stage

220, 221d & 232

Keep in mind that the Lender is responsible for submitting a complete application

Underwriting Techniques and Considerations

Underwriting Techniques and Considerations

A few sample underwriting considerations:

- What is the equity position in the project and what is the ability of the project to service debt?
- How strong is the owner/management entity?
- How does the project fit within local government plans?

Underwriting Techniques and Considerations

- Look out for principal causes of default:
 - Poor ownership/management
 - Downturns in the local economy
 - Shift in the demand for a certain type of housing
 - Underwriting that required no real equity participation or 100% financing for non-profits
 - Optimistic market and/or rent expense estimates
 - Slow rent-up, insufficient operating deficit
 - Optimistic commercial estimates

Underwriting Techniques and Considerations

- How do you determine if you want to do business with an owner?
 - Check them out!
 - Potential sources of information:
 - Other HUD offices
 - State agencies
 - Local governments, planning departments

Underwriting Techniques and Considerations

- Assessing a management agent's capabilities is 95% common sense:
 - Do they have a proven track record?
 - Have you visited their other properties?
 - How long have they actually been on-site?
 - Are they constantly turning over?
 - Do they have experiencing this particular type of project (e.g., low-end, high-end, elderly, assisted living facility)?

Underwriting Techniques and Considerations

- How do you bring your conclusions together?
 - Final underwriting decision is based on a review of project eligibility, technical review conclusions, and other underwriting considerations.
 - The underwriter crafts the final deal

MAP Underwriting Process:

Firm Commitment
Stage 220, 221d,
232, 223f

Firm Commitment Stage

MAP Lender's Underwriter's Responsibilities:

– Review:

- In-house Report
- Third Party Report

– Determine:

- Loan processing complies with MAP Guide
- Proposed loan is economically sound or presents an acceptable risk

Firm Commitment Stage

MAP Lender's Underwriter's Responsibilities:

- Document changes made to technical reports
- Provide a narrative analysis describing the mortgage transaction
 - Economically sound?
 - Acceptable risk?
 - Evaluation of the financial capacity of the borrower
 - Evaluation of the financial capacity of the general contractor
- Review qualifications for the proposed management agent
- Determine if management agent has adequate bonding
- Submit a complete firm application - See Appendix 4
- Provides certification of Due Diligence

(continued)

Firm Commitment Stage

MAP Lender's Underwriter's Responsibilities:

- Clearly identify any and all known underwriting issues or risks associated with projects submitted to HUD under MAP
- Clearly delineate strategies to mitigate these risks so as to propose insurable projects to HUD

Firm Commitment Stage

Preparing a Narrative Analysis/Underwriter's Summary:

- Describe the proposed project and surrounding area
- Explain the differences between the application and market study
- Disclose problematic features of proposed project (e.g., zoning)
- List the qualifications of proposed MAP Lender Firm Commitment Reviewers

HUD

MAP Coordinator

Team Leader

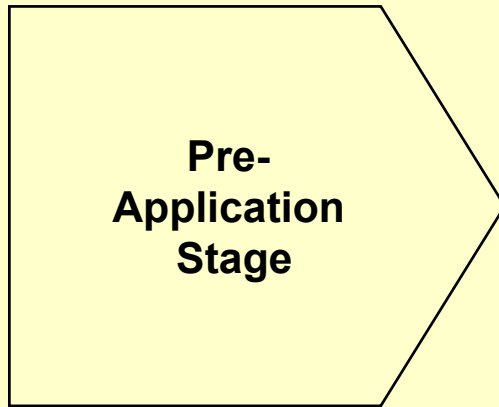
Multifamily Housing Representative

HUD's Role

- Review, don't Re-do
- Multifamily Housing Representative is single point of contact for the Lenders during HUD's review
- Team Leader compiles the recommendations of the MAP Team and coordinates Team's actions

HUD's Role

220, 221d and 232



Interaction with Lender

- MAP Coordinator notifies Lender of the Team Leader contact and where to submit pre-application
- Team Leader oversees approval of Lender underwriting team
- MHR screens pre-application package for completeness

HUD's Role

220, 221d and 232



Pre-
Application
Stage

Team Leader Interaction with Lender

- Advise Lender by fax or e-mail of curable deficiencies; Lender has 5 business days to cure
- Advise Lender if there are any competing proposed projects, market concerns, environmental concerns

HUD's Role

220, 221d and 232



**Pre-
Application
Stage**

- Team Leader assigns to Program Technicians & EMAS
- Technicians review completed application using MAP formats
- Technicians prepare their individual summary reports
- Technicians give individual summary reports to Team Leader
- Team Leader prepares recommendation memo and submits to Hub Director

HUD's Role

220, 221d and 232

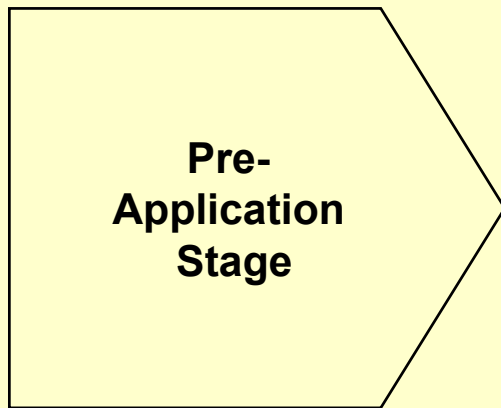


**Pre-
Application
Stage**

- Team Leader makes recommendation to Hub Director/Designee
- Hub Director/Designee makes determination
- Invitation is sent by Hub Director/Designee

HUD's Role

220, 221d and 232



Pre-Application Invitation Letter:

- Types of Units
- Unit Mix
- Rents
- Suitability of Site
- Approval/Nonprofit Sponsor/Mortgagor
- Operating Expenses
- Ancillary Income
- Market for proposal
- Any conditions

Firm Commitment Stage

HUD Underwriter Responsibilities:

Firm commitment processing will generally follow the same steps as pre-application. In addition, the Underwriter will ensure the following are complete:

All Lender review documents are final

- HUD-2530 submission to include all previous participation
- Environmental review
- A more extensive review of the FHA deliverables for transactions which may increase FHA's risk

Firm Commitment Stage

HUD Underwriter Responsibilities:

- Review the Lender's assessment of Management Agent
- Review HUD-2530 of Management Agent
- Make a final determination on Management Agent
- Make a final determination on Firm Commitment

Firm Commitment Stage

HUD Underwriter Responsibilities:

Final Determination may be:

- Accept and issue Firm Commitment
- Modify the Firm Commitment
- Require Lender modification
- Reject

Financing Toolbox

Financing Toolbox

Identify types of underwriting problems and potential strategies:

- Programmatic issues
- Market issues

Financing Toolbox

Identify types of underwriting problems and potential strategies:

- Programmatic issues
 - 223f three year rule/Davis Bacon compliance
 - Commercial space limitations
 - Statutory limitations

Financing Toolbox

Identify types of underwriting problems and potential strategies:

- Market Issues
 - Past success of this product in the market
 - Economic trends
 - High vacancy rates
 - Unit size, layout and proposed rents

For More Information About MAP

- MAP Guide is available on the HUD web site
 - www.hud.gov/fha/mfh/map/maphome.html
- Questions?
 - FAQs on web site
 - Lotus Notes

Points to Remember

- ***Lending Underwriter's Narrative Summary is a very important document for HUD Reviewers***
- ***HUD has very specific Points of Contact***
- ***Application checklist includes list of deliverables***
- ***Lenders must align their resources appropriately***
- ***Keep HUD's perspective in mind***
- ***Identify all known underwriting issues or risks***
- ***Delineate strategies for mitigating risk***
- ***Bring conclusions together into a deal that makes sense, that HUD staff can understand, and that HUD can insure***